A STUDY OF INDUSTRIAL SICKNESS IN THE COTTON TEXTILE MILLS OF U. P.

THESIS SUBMITTED FOR THE AWARD OF
THE DEGREE OF
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IN
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ABSTRACT

Growing Industrial Sickness has caused great anxiety to Government, Financial Institutions and Labour. Considerable volume of financial resources have been unnecessary tied up resulting in wastage of capital assets, decline in production and employment. Both the large scale sector and small scale sector are proned to industrial sickness. This is particularly true in small scale sector and it is generally felt that almost 90 per cent in small scale sector can be reckoned as sick. So serious, it is felt that the prospects of reviving them is considered to be remote and recovery of locked bulk finances out of question.

The sickness in the small scale sector is multiplying year by year. Number of sick units has increased over a period of time and many had been closed down because of continuing losses, obsolete machinery and labour trouble. This phenomenon, though not new, has assumed serious proportions in recent years. As a result, there is not only loss of production but alos displacemnet of labour engaged in such units. These are matter of national concern.

Since, Industrialisation is considered as the appropriate strategy for the development of a nation and being a developing country, India's urgent need is to raise the productivity of present available

resources. In this context the study to diagnose the malady of growing sickness and a proper remedy has to be found out.

Many writers, policy makers, planners, academicians, administrators and social scientists have been trying to find out the panecea for the very problem. Inspite of individual studies undertaken in the Country and abroad, various Government Institutions and Committees have been periodically set have also failed to deal with the subject.

Scope of the Study

The studies conducted for predicting company's failure are scanty in India. Very little progress has been made in empirical testing of financial ratios with a view to showing which of them really reflect a company's state of health, its chances of survival or failure.

It is necessary to undertake further research to show the way towards a more systematic and scientific financial ratio analysis for predicting the chances of survival or failure of a company. Furthermore, the present work is an endevour to investigate the causes of Industrial Sickness in Cotton Textile Mills of U.P. at micro level.

Objectives of the Study

The main objectives of the study may be summarised below.

i) to review the concept of Industrial Sickness

ii) to examine the Government policies for rehabilitating the industrial sickness

iii) to analyse the growth and development of Cotton Textile Mills of India

iv) to analyse the performance of sick cotton textile mills of U.P.

v) to evaluate the financial position of sick cotton textile mills taken over by NTC with an object to predict sickness through ratio analysis.

v) to identifying the factor/factors causing sickness in cotton textile mills of U.P. and suggesting remedial measures to overcome them.

Methodology

A non - random sampling i.e. judgement sampling of Cotton textile Mills of U.P. may provide better picture of whole development. For this reason I have selected six sick cotton mills of Uttar Pradesh namely, Atherton Cotton Textile Mills, Kanpur; Bijli Cotton Textile Mills, Hathras; New Victoria Mills, Kanpur; Swadeshi Cotton Mills, Kanpur; Swadeshi Cotton

Mills, Naini; The Elgin Mills, Kanpur. These Cotton Textile Mills under review exhibit the general characteristics of other cotton textile mills of U.P.

Sources of Data

The study involves reliance on published or secondry sources such as periodical reports of RBI, IDBI, ICICI, IRCI, NTC, RFC, Directorate of Industries. Published reports and official data of cotton textile mills of U.P. are generally very scanty. Hence, field investigation and spot study of the selected mills of U.P. has been undertaken to collect the necessary data to fill the gaps in the available information and gather statistics on the rehabilitation schemes implemented by the administration. For the very purpose, the interview-cum questionnaire method was employed to assess the opinion of selected officials of the mills on the financial and managerial problems of these mills and progress of their rehabilitating activities.

Methods of Analysis

The study has been both descriptive and analytical. The status and progress of the mills have been described at some length. This information has been subjected to critical analysis and evaluation of

the relevant data (are production of fininshed material) its trend and financial ratios. This data has been computerised and the relative effects of various causes of sickness has been worked out. Magnitude of changes from year to year have been calculated in terms of percentage variations.

Limitation of the Study

Initially it was proposed to undertake the study of all the cotton textile mills of Uttar Pradesh. Later, in view of certain (time and financial assistance from any source) constraints, non-availability of data, the study has to be confined to the six cotton textile mills of U.P. My approach to the present study is to undertake an intensive study of a few cases. This is the only feasible method for investigating a social phenomenon of a country of the size and complexity as India.

It may be emphasised here that most of the data was collected by he researcher herself during personal visits to various offices, departments and mills of U.P.

The study covers the period from 1961 to 1990. Because of industrial sickness in India, since it become pronounced in the late sixties, has been spreading at an alarming pace, particularly, during the

period from December 1976 to September 1978.

Scheme of the Chapterisation

To diagnose the Industrial Sickness in cotton textile mills of U.P. by identifying the main causes, the entire study has been divided into seven different chapters.

In the Introduction, a brief statement of the nature of the problem, objective of study, the scope of the study, sources of data, methods of collecting data have been described.

As the topic entitled " A Study of Industrial Sickness in Cotton Textile Mills of U.P.", described that Sickness in industry has not developed all of a sudden. This is a slow process which has set in about two decade ago. While the country made significant progress over the years and diversified its industrial activities, certain structural weaknesses set in particularly in the case of cotton textiles did not carry out replacement and modernisation in time. As a result, they were saddled with obsolete plant and machinery.

In the first chapter, the concept of industrial sickness has been reviewed. It revealed that sick unit is one which bears one or more of the following symptoms.

(i) a unit having negative equity; (ii) a unit incurring continous cash losses; (iii) the chances of recouping losses are either low or negative; (iv) a unit starts eating away its capital; (v) a unit stopped its production activities; (vi) Current liabilities exceeds current assets; (vii) irregular accounts with Banks; (viii) a unit closed permanently; (ix) a unit utilising its capacity below 20 percent; (x) rate of return on investment is less than the cost of capital; (xi) increased customers complaints; (xii) ability to face competition and ability to exist in the market is low; (xiii) a unit fails to meet its social and economic obligations; (xiv) a unit is not in a position to survive; (xv) low employees morale due to mismanagement; (xvi) decline in the quality and service; (xvii) a sick unit is one that has incurred cash losses in the immediately preceding two years and in the judgement of credit institutions is expected to incur these losses during the current year; (xviii) a sick unit is one whose net worth has been eroded to the extent of at least 50 percent; (xix) a sick unit is one whose working capital advance account with the bank was irregular and this persisted over a longer period of

time 12 to 18 months and is likely to become more persistent; and (xx) a sick unit is one which has defaulted in paying four consecutive half-yearly (or two consecutive annual) instalments of principal and interest on terms loans, if any.

The second chapter has been devoted to review the Government Policies towards rehabilitation of sickness in industries. This chapter shows that there cannot be one single solution for the revival of sickness. Problems have to be identified industrywise and unitwise. The units which have been mis-managed will have to change hands, and a proper scheme of reconstruction would have to be devised. In deserving cases, mergers and amalgamation should be allowed rather than take-over of the management by Government. Wherever Government poicy is responsible for making an industry sick, it would be advisable to modify the policy taking into account the broader objectives of growth. In some cases a unity may not be viable inspite of any assistance. Such units should be allowed to close down. Of course, this will create the problem of displacement of labour, but this will have to be sorted out rather than creating further difficulties by merely keeping the units alive.

In the revival of sick units banks and financial institutions have a great role to play.

They have to strengthen their monitoring system and initiate early steps before the units reach a stage that they cannot be revived. In fact, the banks and financial institutions have not been properly able to organise their monitoring system and they do not have up-to-date information about the assisted units.

Since the causes for sickness could be different for diffrent units, there cannot be a specific formula to rehabilitate a sick unit. Each case will have to be diagnosed separately and proper remedies should be found for it. However, some broad guidelines are suggeseted to nurse and rehabilitate a sick industrial unit. The following may be considered important in this regard.

(a) The causes for sickness must be clearly identified, preferably through a diagnostic study by a competent independent agency. Also the potential viability of the unit must be analysed considering the size of the unit, the stock of a bank and the complexities or sophistication of operation.

(b) The assets and liabilities of unit must be ascertained from the borrowers and this information must be put to the scrutiny of auditors.

(c) The assets charged-both current and fixed should be evaluated, parlicularly when it is estimated that there is a wide gap between the outstanding amount and the declared book value of assets.

(d) An assessment of fund required both long term and short term, should be made. Normally, a bank will provide additional funds for working capital, but some amount on a long-term basis may also be made available depending upon the urgency of the situation. In other words the long-term capital base of small units must be improved.

(e) Necessary resources must be made available to install additional machinery to modernise the unit and improve its productivity.

(f) Managerial deficiencies must be detected and the units must be asked to induct professionals on the Board of Directors. Competent technical and managerial personnel must be appointed to the key positions in production, finance and marketing.

(g) Sick units need time to generate surplus and build themselves up when remedial measures are applied. They would, therefore, need concessions in interest, margin money and time for the repayment of debts. Depending upon the merits of each case, a bank will have to consider :

(i) The funding of unpaid interest/instalment/ uncovered part of the advance;

(ii) easy repayment instalment of long-term loans with reasonable moratorium;

(iii) reducing interest and margin;

(h) The Government may come up with proposals, if

necessary through legislation to protect the interest of the small industry.

Third chapter analysed the growth and developmentt of cotton textile mills of India, in which it discussed that, after Independence, especially after Partition, the textile industry was badly affected due to acute shortage of raw material because 30 per cent of cotton growing area went to Pakistan. Inspite of this fact, the organised sector had 1056 textile mills out of which 733 were spinning mills and 283 composite mills which consist of handloom and powerloom.

At the end of the year 1988-89 there were 9.18 lakhs powerlooms and 33.04 lakhs handlooms. Out of 9.18 lakhs powerlooms, 5.27 lakhs were working on cotton of this 3.26 lakhs looms were in Maharashtra and 2.06 lakhs were in Gujrat. These powerlooms produced over 3680 million metres of cotton cloth per annum at the end of year 1988-89, which constituted 41 per cent of total quantity of cotton cloth produced in the country. Majority of looms do not function strictly on standard shift basis. Thus, the capacity of production was under utilisation of the total investment in textile industry (Rs.1500 crore), the share of powerloom was Rs. 300 crores.

In decentraslised sector, there were 33.04

lakhs handlooms and nearly 9.18 lakhs were cotton handlooms. The handloom industry provide employment to nearly 10 million people and an equal number of people are employed in its auxillary activities. The capital investment in this sector was estimated to be of the order of Rs. 150 crores. The total production of handloom cloth has increased from 8582 million metres in 1984-85 to 10473 million metres in 1988-89, accounting an increase of 122.03 per cent. The highest number of handloom i.e. 5.56 lakhs were in Tamil Nadu followed by Andhra Pradesh (5.29 lakhs) and Uttar Pradesh (5.09 lakhs). From this fact it can be said that handloom industry is mainly concentrated in Tamil Nadu, Andhra Pradesh and Uttar Pradesh with the increase in the capital investment a number of mills, the consumption of cotton has also gone up from 1001.30 thousands tons in 1961 to 1344.02 thousands tons in 1988-89, recording an increase of 134.72 per cent. The consumption of fibre has also increased during the last two decade due to diverse growth and development of textile sector.

The production of yarn has gone up from 907 million kgs in 1966 to 1461.89 million Kgs in 1988, with an increase of 161.08 per cent. As far as the production of mill made cotton is concerned, it has increased from 7073 million metres in 1961 to 10940 million metres in 1988, an increase of 154.67 per cent.

Likewise the export went up from Rs. 60 crores in 1961 to 2472 crores in 1988, recording an increase of 412 per cent. The study has revealed that Tamil Nadu and Maharashtra having highest number of mills in the country. These states have 451 and 123 mills respectively. Likewise, installed spindles are also highest in Tamil Nadu and Maharashtra i.e., 7604 and 5164 thousands installed spindles respectively.

Thus, to sum up, it can be highlighted that during the last decade the textile sector has got a favourable environment for its growth and development. The Government, financial institutions and other coordinating agencies are paying their due attention for its growth because, the textile industry has become a vital sector of the economy.

It has been observed that the textile industry in U.P. and particularly in Kanpur has been witnessed severe industrial sickness as compared to its counterpart in other states of the country. The study has revealed that the consumption of raw material and sale has increased in Atherton mills but the company is incurring losses. The continuous loss is the main reason of the financial constraints of the company. As regards the performance of Victoria mills is concerned, the consumption of raw materials has increased by 56.38 per cent during 1984-85. This company is also earning a continuous losses and this loss has increased

to the tune of Rs. 500.51 lakhs in 1985-86. Hence this mill is also subject to rehabilitate.

The consumption of raw materials of Swadeshi mill has increased by 96.5 per cent in 1985-86. But this company also incurred a loss of Rs. 1667.63 lakhs in 1985-86. Therefore, due to huge losses the company has become sick and needs to be rahabilated. The Elgin mills has 48,484 spindles out of which 47,092 spindles are working. 1,194 plain looms have been installed in the company. The average total of wages bill including fringe benefit come to Rs. 64.43 lakhs. The average daily production of yarn is 16,709 kg and the average daily production of cloth is 80,000 metres.

The Elgin mill No.2 is a composite textile processing and works in three shifts. The labour employment per thousand spindles is 9.27 per looms is 46.65 and the total wage per bill including fringe benefits comes to Rs. 61.11 lakhs. The average daily production of yarns is 17.844 kg and average daily production of cloth is 83,700 metres. The survey of the mill have revealed that there is no material change in the consumption of raw material except in 1983-84 and the income from the sale do not show any increasing trend. These mills have been continuously running in losses since 1980-81 and the loss is increasing year after year. Therefore, it is desirable to note that

Elgin mill is a sick unit which needs to rehabilitated.

To conduct the survey of such textile mills six units were selected at non-random basis. The survey revealed that out of these mills, the production of two mills i.e. Swadeshi mills and Elgin mills showing an increasing trend. The total production of cloth of the New Victoria mills has come down from 281.18 lakhs metres in 1985-86 to 86.10 lakh meters in 1990 indicating a decline of 69.37 per cent. Similarly, the production of Elgin mills has decreased from 418.97 lakhs metres in 1985 to 416.33 lakhs metres in 1989-90 representing a decrease of 0.63 per cent. It is interesting to refer that the production of Swadeshi cotton mills went up from 261.58 lakhs metres to 873.43 lakhs metres in 1989-90 showing an increase of 70.05 per cent. Thus it can be said that out of these N.T.C. mills three spinning mills are sick due to continuous fall in the level of product and the other composite mills can be said viable.

In order to assess the financial performance of sick cotton textile mills of N.T.C. solvency ratios, liquidity ratios and turn over ratios were calculated and the results of this ratios are as follows.

The main objectives of solvency ratio is to indicate the company's ability to meet its long term

obligation. To judge the solvency of the mills four ratios were calculated which shows that total tangible assets to long term debts, total tangible assets to total debts, net worth to total debts and net worth to long term debts are continuously decreasing during the year 1986-87, 1987-88 and 1988-89 and are also less than the standard norm 1:1. It leads to a conclusion that these mills are not in solvent position.

The general objective of liquidity ratio is to indicate the company's ability to meet its short term financial obligation. To assess the liquidity of sick cotton textile mills of N.T.C, five ratios were calculated which indicates that current assets to current liabilities, current assets to total tangible assets, quick assets to total tangible assets, cash to current liabilities and quick assets to current liabilities are continuously decreasing durin the period 1986-87, 1987-88, 1988-89 are less than the standard norm 2:1. This leads to a conclusion that liquidity of cotton textile mills of N.T.C is very poor which displays sickness of the mills.

Turn over ratio usually consists of sales figures in numerator and the balance of assets are used to indicate various aspects of operational efficiency. Six turn over ratios were calculated for N.T.C. mills, sales to working capital shows sales is higher than the working capital. In case of net sales to quick assets,

the net sales has higher rates than the quick assets except in the year 1987-88. Net sales to current assets is very satisfactory. In regards to net sales to total tangible assets, the degree of efficiency in the utilisation of resources is not higher. Net sales to fixed assets, ratio shows that in 1986-87 and 1987-88 the N.T.C's mills had more idle capacity and excess investment in fixed trading assets.

The sixth chapter identify the main causes of industrial sickness in cotton textile mills of U.P. with the help of weighted score. Factors generally responsible for sickness, broadly divided into internal and external. Internal factors again divided into five different heads viz. managerial, financial, marketing, productivity and personnel to know the exact factors causing sickness in cotton textile mills of U.P.

In order to analyse the managerial factors influencing sickness, a ranking table has been prepared by taking upto eight rank of different managerial factors. In that it revealed from the data that among the ranking factors no proper manpower development program has been considered as the first cause of sickness by 19.84 per cent of the mills lack of management expertise and supervision has been ranking secondly by 15.87 per cent of the mills. Timely and adequate modernisation has the third rank with a rating

12.3 per cent as a factors influencing sickness in cotton textile mills of uttar pradesh.

Therefore management of mills should make an arrangement to send their employees for training and should recruit experienced professional besides they should have a research and development cell for finding out the possibility of modernisation of the mills.

To assess the productivity factors causing Sickness in Cotton Textile Mills of U.P. We have analysed the priority ranking of sample units. Priority ranking with weighted score shows, that three most important factors such as poor maintanance and replacement of machinery, poor quality of products and power shortage have score 47 points, 33 points and 23 points respectively. We can conclude from the above that poor maintance of machinery , poor quality of product and power shortage has been the main cause of sickness in Cotton Textile Mills of Uttar Pradesh.

Keeping in view the above noted finding into consideration it can be suggested that management of these seven Cotton Textile Mills should give due attention to maintenance of machinery and quality of product. Similarly the Government should care forward to solve the problem of poor shortage.

In order to get weighted score or 'content score' for each personnel factors we have assigned

weight to each rank and got the weighted score for factors. Since we have taken upto 6th rank we have assigned 6 points to first rank, 5 points to second rank, 4 points to third rank, 3 point to fourth rank, 2 points to fifth rank and points to sixth rank.

From the calculated weighted sum of the ranking. It can be concluded that absence of manpower planning has been the first cause of sickness, bad labour relation as the second cause and weak organisational set-up has been the third cause of sickness in textile mills of Uttar Pradesh.

Keeping in view the above finding into consideration it can be suggested that the management of textile mills should give due attention to proper manpower planning and should maintain good industrial ralation.

In order to analyse the financial factors causing sickness, we have prepared ranking table by taking upto 10 ranks of different financial factors.

It is revealed from the data presented in the table that lack of finance and working capital has been considered as the first cause of sickness by 5 units out of 7 units and secured 50 points. The second most important factor (second Rank) was continuous loss and poor cash management which has been the cause of the

sickness in cotton textile mills of Uttar Pradesh. Too much dependence on borrowed money has been the third cause of sickness and secured 35 points according to the weighted score. Inappropriate financial structure and too much bad debts have got fourth and fifth rank among the causes of sickness. Thus it can be said that lack of finance and working capital, continuous losses/ poor cash management and too much dependence on borrowed money have been the main causes of sickness.

Therefore, the management of mills should find some solution to the problem. Sick units need time to generate surplus and build up themselves when remedial measures are applied. They would, therefore, need concessions in interest, margin money and time for the repayment of debts.

The Government may come up with the proposals, if necessary through legislation to protect the interest of small industry.

Marketing factors are one of the main factors causing sickness in industries. We have therefore attempted to assess the influence of marketing factors on cotton textile mills of U.P. A limited sample of sick cotton textile mills has been drawn from Uttar Pradesh. According to the calculated weighted score lack of sales promotion has been the first cause of sickness (Ist rank) followed by selection of

inadequate product mix (IInd rank) inaccurate demand forcasting (IIIrd rank) and lack of market feed back (IVth rank).

Thus, it can be said that lack of sales promotion, selection of inadequate product mix, inaccurate demand forcasting and lack of market feed back are the main causes of sickness in cotton textile mills of Uttar Pradesh. Therefore, the management of these mills should give due importance to sale promotion programmes and product mix. They must also make necessary arangement to forecast the demand and other market information.

The external factors causing sickness in cotton textile mills of U.P. has been observed through weighted score that diversification/expansion imposed by the Government has emerged as the first cause of sickness by scoring 69 points. The second highest point was secured by market recession (50 points). The third and fourth position according to weighted score went to non availability of skilled manpower (49 points) and change in economic and social policies of the Government (46 points). It is therefore, revealed that restraint on diversification/expansion imposed by the government, market recession, non availability of skilled manpower and change in economic and social policies of the Government secured 214 points having

emerged as the most important factors causing sickness in the cotton textile mills of Uttar Pradesh.

It seems from the above discussion that the phenomenon of sickness among industries is a complex one and a number of factors ranging from disparrities between costs and prices to mis-management and some Government policies are involved. There cannot be one single solution for revival of sickness. Problems have to be identify industrywise and unitwise and remedial measures initiated. The units which have been mis-managed will have to change hands, and a proper scheme of reconstruction would have to be devised. In deserving cases, mergers and amalgamation should be allowed rather than take-over of the management by Government. Wherever Government policy is responsible for making an industry sick, it would be advisable to modify the policy taking into account the broader objecttives of growth. In some case a unit may not be viable inspite of any assistance that can be given for temporary sustenace. Such units should be allowed to close down. Of course, this will create the problem of displacement of labour, but this will have to be sorted out rather than creating further difficulties by merely keeping the units alive.

In the revival of sick units banks and financial institutions have a great role to play.

They have to strengthen their monitoring system and initiate early steps before the units reach a stage that they cannot be revived. In fact, the banks and financial institutions have not been properly able to organise their monitoring system and they do not have up-to-date information about the assisted units.

What is required is closer cooperation through mutual assistance between management, Government, banks and financial institutions to restore the health of weak and sick units.

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TO WHOM IT MAY CONCERN

This is to certify that Miss. Munauwar Sultana worked for her thesis entitled " A Study of Industrial Sickness in Cotton Textile Mills of U.P." The work done by her is worthy of submission for the award of Ph.D. degree in Commerce of the Aligarh Muslim University, Aligarh.

To best of my knowledge this is her original work.

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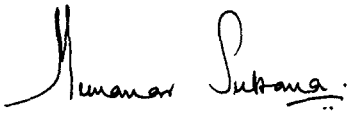

(Munauwar Sultana)

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INTRODUCTION

The problem of growing sickness in industry has been a matter of great concern to the government, Reserve Bank of India, financial institution and commercial banks. The gravity of the cause by industrial sickness may be judged from the locking up of financial resources, wastage of capital assets and loss of production when we are faced with the overall problem of constraint of resources. No less important is the risk of loss of employment caused by industrial sickness. Thus the number of sick units in the country and the outstanding bank advances in respect of them, are as follows.

Among Small Scale Sector about 90 per cent units are sick. The representatives of some commercial banks told at the meet 1989 on 14th January that 90 per cent of the sick units in the small scale sector could be revived as they were no more economically viable and the prospect of recovery of the large sum of bank finance locked up in these units was very bleak.[2]

Among large units the number of sick units rose from 409 at the end of December 1986. The outstanding bank credit rose from Rs.1342.47 crores in December 1980 to Rs.3287.02 crores at the end of December 1986.[3]

In the case of medium scale units, the number at the end of December 1980 was 992 with outstanding bank credit of Rs. 178.42 crores. This number rose to 1250 at the end of December 1986 with outstanding credit of Rs. 281.77 crores.

In case of small scale industrial units, the number rose from 23149 to a staggering 145776 during the period from December 1980 to December 1986. The outstanding bank credit rose from Rs. 305.77 crores to Rs.1306.10 crores during the same period. The total number of sick units as at the end of December 1986 thus rose to 147740 from 24550 at the end of December 1980. The total bank credit outstanding on account of sick units rose from Rs. 1808.66 crores at the end of December 1980 to Rs. 4874.49 crores at the end of December 1986.[4]

According to one estimate, nearly 130 composite mills out of the 279 working made cash losses of over Rs. 110 crore in the year ended June 1987. During 1987-88, the losses are expected to swell to around Rs. 125 crore, if not more.

The spreading sickness in the textile industry has resulted in the nationalisation of as many as 106 mills by the National Textile Corporation and its subsidiaries, besides taking over the management of

14 mills in different regions. The number of sick mills had increased steadily over a period with many units closing down because of continuing losses, obsolete machinery or labour trouble. The decision to nationalise mills had also be taken for political considerations.

The maximum number of nationalised sick mills is in Maharashtra, with the total at 22 in 1986-87. Tamil Nadu and West Bengal had 14 mills each, Gujarat 12 mills and Uttar Pradesh 9 mills. Even fairly well run mills like Anglo French Textiles in Pondicherry became sick due to various factors and had to be eventually taken over by the government. However, the NTC and its subsidiaries have not been successful in reviving many units and the accumulated losses by themselves have had a devitalising effect on the operations of different units.

Keeping in view the above noted facts into consideration, it was felt necessary to study the causes of sickness in cotton textile mills of Uttar Pradesh at micro level. In this content, it is necessary to have a brief review of earlier studies.

Review of Literature

Many scholars have studied various financial ratios as predictors of corporate sickness in India and abroad. Therefore, it will be necessary to have a brief review of some of the work done so far in the industrial sickness.

Studies Abroad

Patrick[6] conducted a study of 19 failed companies and 19 successful companies to predict the financial soundness. It was observed that all the ratios of failed firms were persistently different from the non-failed firms at least three years prior to failure. The net worth to debt and net profit to net worth ratios were found the best indicators of failure among the ratios used.

Winakor and Smith[7] analysed twenty-one ratios for 183 firms. It was observed that the ratios of the failed firms were frequently below the mean value used for comparison and showed deterioration as the date of failure drew near and also pointed out that the ratios of net working capital to total assets (NWC/TA) was the most accurate and steady indicator of failure. Ramser and Foster[8] examined eleven types of financial ratios for 173 firms whose securities were

registered in the State of Illinois. It was found that firms which turned out to be less successful and those which failed tended to have ratios which were lower than the more successful firms. However, two turnover ratios, sales to net worth and sales to total assets exhibited an opposite tendency.

Merwin[9] examined over 900 continuing and discontinuing firms which failed during the period 1926-36. Two methods of comparison were used. One was to determine a high-low range for each ratio for every year, by using the companies as indicators of what the highs and lows should be. The other method was to use an estimated normal ratio reflecting the success of surviving industry mean ratios of disappearing firms against estimated normal ratios and the high-low range ratios, it was found that the ratios of the discontinuing firms were consistently below the established by the surviving firms. A persistent decline from the estimated normal was also found beginning with the sixth year prior to discontinuance. These three ratios were : (1) Net working capital to total assets; (2) The current ratio; and (3) Net worth to total debt. Net working capital to total assets ratio was found to be the best 'single indicator of failure'.

Hickmen[10] found that the times interest

earned ratios and the net profits to sales ratios were useful predictors of the default experience of corproate bond issues during 1900-1943. Saulinier[11] found evidence from RFC lending experience during 1934-51 that borrowing firms with poorer current ratios and net worth to debt ratios were more prone to loan default.

Moore and Atkinson[12] found that the ability to obtain credit was correlated with several ratios.

Seiden[13] reported that certain financial ratios (e.g net working capital to total asset) were inversely correlated with an index of trade credit difficulties. Beaver[14] made an attempt to predict corporate failure in 1966. Failure was defined as the inability of a firm to pay its financial obligations as they mature. He examined the predictive power of 30 different financial ratios and tried to predict industrial failure up to 5 years in advance. A univariate prediction model of corporate failure was developed and tested on observations of 79 failed and 79 non-failed firms, selected by the paired sample (by industry and asset size) technique.

He further, conducted three major empirical experiments in order to establish the predictive power of financial ratios. A comparison of mean values, (ii) a dichotomous classification test, and (iii) an

analysis of liklihood ratios. A comparison of the mean ratios of failed and non-failed firms provided substantial evidence that the financial ratios of failed firms showed deterioration and were worse than that of non-failed firms as early a five years prior to failure. Differences in ratios mean do not suggest directly the existence and extent of predictive power. To examine the predictive power of ratios, the second type of analysis (*i.e. Dichotomous Classification Test*) was made which predicts the failure status of a unit, based solely upon a knowledge of the financial ratio. The ratio with the smallest percentage error was considered the best indicator. Dichotomous classification test indicated that the most successful predictor was the cash flow to total debt ratio followed by the net income to total assets ratio. On the basis of lowest percentage prediction error for each group over the five year period, Beaver selected the following six variabes as best: (1) cash flow to total debt (2) net income to total assets (3) current plus long term liabilities to total assets (4) working capital to total assets (5) current ratio and (6) no credit interval ratio.

However, Beaver was not satisfied with these results,because the choice was treated as dichotomous and, therefore, the magnitude of the difference between the ratios and the cut off point was not considered

while predicting the probability of failure. To overcome these problems, Beaver undertook an analysis of likelihood ratios. The likelihood ratio analysis indicates the extent to which a decision-maker's assessments of the probability of failure are altered by looking at the financial ratios. The conclusion of the analysis of likelihood ratios supported that the ratios were useful indicator of failure of the firm at least five years prior to failure.

Tamari[15] developed a multivariate model to predict Industial sickness. In this model he weighted composite of several ratios were used to indicate the possibility of failure. Profit trend and equity capital and reserves to total liabilities ratios were given maximum weights relatively showing that these ratios were considerd to be the best indicator of failure.

Altman[16] suggested a multiple discriminant analysis (MAD) technique to assess the quality of ratio analysis as an analytical technique using corporate bankruptcy as an example. Multiple discriminant analysis is a statistical technique designed to classify an observation into one of several a prior groupings, dependent upon the observation's individual characteristics. This technique is primarily used to classify and/or make prediction in problems where the dependent variable appears in qualitative form e.g.

male or female, bankrupt or non-bankrupt. The MDA technique derives a linear combiantion of various characteristics (e.g. liquidity, profitability, size etc.) that best discriminates between the groups. The discriminant function is of the form:

$$Z=V_1X_1+V_2X_{22}.....V_nX_n$$

where Z= overall index

V_1, V_N= the discreminant coeffcients

X_1, X_2.....X_N=independent variables

(e.g. ratios).

Altman used a paired sample consisting of thirty-three failed and thirty-three non-failed manufacturing firms where industry and size were considered as the matching criteria. Initially 22 financial ratios were considered as predictors of failure and they were classified into 5 categories e.g. liquidity, profitability, solvency, leverage and activity ratios. Only 5 ratios out of the 22 were finanlly selected on the basis of their relevancy in predicting corporate failure. The final set of ratios was determined by F-tests and computer runs analysing the possible alternatives. The final discriminant function doing the best overall job in discriminating between the failed and non-failed firms was:

$$Z=.012X_1+.014X_3+ .033X_3+.006X_4+.999X_5$$

where

X_1=Working capital/total assets

X_2=Retained earnings/total assets

X_3=Earnings before interest and taxes/total assets

X_4=Market value of equity/book value of total debt

X_5=Sales/total assets

Z= Overall index

A cut off point for the Z-score was determined in such a way as to minimise the overlap between bankrupt and non-bankrupt firms. He concluded that Z-score of 2.675 was the best cut off point which maintained minimum misclassification. The five variable model using data of one year before bankruptcy correctly classifed 95 percent of the total sample which reduced to 36 percent when data of five years prior to bankruptcy were used.

Deakin[17] made the attempt to develop an alternative to Beaver Altman developments. A sample of thiry-two failed firms and a matching sample of thirty-two non-failed fimrs was taken. The failed firms' sample included those which experienced failure between 1964-1970. Each of the failed firms was matched with a non-failed firm on the basis of industry, size and year of financial data. Deakin's original model included 14 ratios and his revised model included only 5 ratios which could best predict corporate failure each of the

five years prior to failure. Deakin conducted two major empirical experiments. First, he adopted a method of analysis similar to Beaver's study applying the dichotomous classification test and precentage error of each ratio was ascertained. In the Second test, discriminant analysis technique was applied using the same sample of data and 14 financial ratios as input to the disriminant analysis programme. It was concluded that the discriminant analysis can be used to predict business failure using ratios as prediction variables three years in advance with a fairly high degree of accuracy.

Myer and Pifer[18] developed a linear regression model for the prediction of bank failures. He selected sample of 78 banks consisting 39 faied banks which experienced failuure during the period 1949-65 and 39 solvent matching banks. The paired of sample was taken on the basis of location. size, age and requirements.Thirty-two financial ratios were used a independent variables in the various regression models tested. Financial ratios were computed for a period of six years prior to failure. A stepwise regression programme, forward selection and backward reduction was used. A classification test used by Myer and Pifer correctly predicted 80 percent of the initial sample banks and 7 percent of the hold out sample with a lead time of one or two years before failure. When

the lead time was three or more years, the model failed to discriminate between failed and nonfailed banks.

Marc Blum[19] developed a Failing Company Model (FCM) to assess the probability of business failure. Failure was defined as inability to pay debts as they become due bankruptcy proceedings or an explicit agreement with creditors to reduce debts, discriminant and 115 non-failed firms to evaluate the predictive accuracy of the model. The pairing of firms was made on the basis of industry, sales, employees and fiscal year. This model was considered more reliable on account of two reasons (a) the choice of each variable is justified on the basis of financial theory (i.e. cash flow framework), and (b) the afore said results are the product of a rigorous validation procedure.

Edmister's[20] purpose was to develop and test a number of methods of analysing finaacial ratio to predict the failure of small business. Nineteen ratios were tested and a 7 variable regression equation were developed. He concluded that the predictive power ratio analysis depends upon both the choice of analytical method and the selection of ratios. Unlike Altman, Beavar and Blum who found that one financial statement is sufficient for accurate classification. Edmister concluded that three consecutive statement are required for effective analysis of small businesses.

Elam [21] conducted a study to determine if capitalisation of non-purchase leases enables financial statements users to predict bankruptcy more accurately than without such adjustment. He anslysed 48 bankrupt firms (1966-1972) with reported less information and a macthed sample of non-bankrupt firm according to data year, industry, sales and reported leases. MDA was applied to a set of 28 ratios. Single ratio and multi-ratio predictions were made. It was concluded that models with leases data are not more accurate than ones without least data.

Taffler and Tishaw [21] developed a "Z Model" for the prediction of company's insolvency and the evaluation of corporate credit worthiness by banks, investment houses and credit controllers. To construct a solvency model, a statistical technique known as linear discrimination analysis was applied to a sample of 46 tailed firms and 46 finanicially sound firms matched by size and industry. Eighty different ratios were calculated for each of the 92 companies. Extensive statistical analysis finally resulted in the following discriminant function that best discriminates between the ratio sets of firms:

$$Z = C_0 + C^1R + C^2R_2 + C^3R_3 + C^4R_4$$

where Z = discriminant score

$C_=$ a constant

C_1------C^4 = $_{th}$ the ratio weights or the coeffecients

R_1= profit before tax/current liabilities

R_2 = current assets/total liablities

R_3 = current liabilities/total assets

R_4 = no credit interval ratio (i.e. CA-CL/operational cost excluding depreciation)

It was concluded that the four ratios, taken together in the right proportions, measure the risk profile of the firm which was summarised by the single number i.e. its Z-scores.

Ohlson[23] developed a conditional logic model. He used a sample of 105 firms which experienced bankruptcy during the period 1970-76 and 2058 non-bankrupt firms. Nine financial ratios were tested to form an opinion about the discriminatory power or financial ratios. Three set of estimates were computed for the conditional logic model. The results indicated that the four factors derived from financial statements were statistically signinficant in asssesing the probability of bankruptcy. These are (i) size, (ii) he financialstructure as reflected by a measure of leverage(TLTA), (iii) some performance measures(NITA) and /or (FUTL), (iv) some mesures of cureent liquidity(WCTA or WCTA and CLCA jointly).

Dambolena and Khoury[24] developed a model

using stability and level of financial ratios as explanatory variables in the derivation of discriminant function . The basic purpose of this study wa to test the effect of strability of financial raqtios on pediction of corporate failure it was concluded that the inclusion of stability of ratios in the analysis improved considerably the ability of the discriminant functin to predict failure.

Wilcox[25] constructed a model to show how to quantify the risk of financial failure through the gambler's ruin approach. He used net liquidation value, average adjusted cash flow and the concept of 'size of bet' as important variables in predicting firm's financial health. The net liquuidation value' or adjusted cash positin of firm is the liquidation value of assets less the liquidatin value of debts. The liquidation changes from year to year by inflows and outflows. Wilcox assumed that the change in financial state takes place always by a fixed amount labelled as size of the bet. If the probability of the firm's gaining a bet is 'p' and that of its losing the bet is 'q' then unless 'p' exceeds 'q', the firm is bound to fail. He claimed great success for his predictin model on the basis of a sample study. The model is ,however, neither convincing nor realistic because of the several arbitrary assumptions on which it depends.

Delton Chesser[26] worked out a probability function for misclassification. He used five financial ratios and claimed a predictin accuracy of 75 per cent. Chesser's study was based upon the data collected for trade accounts of manufacturing concerns and consumer loans respectively.

Frederikslust[27] made an attempt to predict business failure based on testable financial theory of corporate failure. He defined failure as a negative cash balance of the firm and pointed out that a firm will fail at a certain moment 't' when its cash balance is smaller than zero. On the basis of financial theory he identified the following observable failure prediction variables: liquidity, profitabillty, solvabillity, variability of liquidity and variability of profitbility ove time, industry variables and general economic variables. The model predicted correctly 92.5 per cent one year prior to failure, which reduced to 70 per cent when data of five years prior to failure were used. However, Frederikslust could achieve the object of developing prediction model based on Testabe financial theory of corporate failure partially. As he defined failure as a negative cash balance, but changed this definition to bankruptcy or liquidation when the empirical work was undrtaken.

Apart from the studies summarised above, there are other few empirical studies- Baruch Lev[28],

Aharony and Swary[29] Walker[30]., John Argenti[31]- which used alternative approachs to the problem of predicting industrial sickness.

Studies in India

In India few studies have been carried out to predict industrial sickness which are discussed in the following pages.

Kaveri[32] attempted to predict the borrower's health by using financial ratios a predictor variables. To predict the event a sample of 524 small units comprising of good, regular and sick units was taken. Ninety per cent of the units in the sample had investment up to Rs. 3.75 lakhs. Twenty-two ratios wee considered for identifying the health of small scale industries. Of these only five significant ratios were selected on the basis of 't test. The five ratios are: the current ratio, stock/cost of goods sold, current assets/net sales, net profit before taxes/total capital employed and net worth/total outside liabilities. The multiple discriminant analysis technique was applied to assign in the sample to one of the groups viz. good, irregular and sick. Accuracy of prediction was found tobe 76 per cent inthe initial sample and 69 per cent in the hold out ssample for one year before the event.

Chattergee and Roy[33] have trried to use the sset growth as an indicator forprediction of industrial sickness with a set of auto-regression equation, but the indicator has been chosen abitrarily.

NCAER[34] have also studied industrial sickness using multiple discriminant function.

Rao and Sarma[35] applied multiple discriminant analysis to a sample of 60 textile firms comprising 30 failed and non-failed firms. The discriminant function found to be efficient included 5 financial ratios which were: net worth to total assets, debtors turnovers, working capital to total assets, retained earnings to total assets, earnings before interest and taxes to total assets.

Bhattacharya and Pande[36] have also studied corporate financial strength using multiple discriminant analysis.

Gupta[37] has carried out a study on "corporate sickness" using financial ratios. He has taken a sample of 41 textile companies of which 21 non sick and 20 new sick. Fifty-six ratios, classified into two broad categories of profitabiity ratios and balance-sheet ratios, were tested for each year of 13 year p.eriod i.e. 1962-74. Five profitability ratios were finally selected which individually had shown to possess

highest predictive power when appied to a homogeneous industry group. In order to minimise the classification error rates, he recommended a combination of the following four profitability ratios: (1) EBDIT/sales (2) OCF/sales (3) EBDIT/total assets plus accumulated depreciation. Ratio relating to net worth were found to be a worst predictor of bankruptcy among profitability ratis. The balance sheet ratios were not so accurate as the profitability ratios. It was observed that companies with an inadequate equity base had little 'reserve strength' to weather adversities and are, therefore, sickness-prone. Another important observation was that all liquidity ratios proved to be very poor predictor contradicts the great importance traditionally attached to liquidity analysis in appraising corporate health, the current ratio, for example, showed an average classifiction error almost three times more than profitability ratios in case of textile companies. However, the scope of this method in predicting industrial sickness is found to be limited. In addition the financial institutions do not restrict their operations to any single group of industry.

Srivastava[38] used a combination of operational, technincal and financial parameters to discriminate between the sick and helthy units. He developed a linear discriminant function comprising

seven ratio parameters- five financial, one technincal and one operational. These ratios were net worth/total assets, net block/net worth, net profit/total assets, total liabilities/net worth, current assets/current liabilities, capacity utilisation ratio and plant utilisation ratio. A computer model was built up using three financial ratios, and the predictive acuracy of the model was computed. The misclassifiation error was 15 per cent which reduced to 10 per cent when five financial ratios were used. It further reduced to 5 per cent when first three finanial ratios were combined with technical and operational ratios. The model was enlarged to include all the seven variables which resulted in 100 per cent predictive accuracy at 1.0 per cent level of significance.

Most of the studies dealing with corporate sickness have explored a number of financial ratios as predictors of corporate sickness and incoported a large number of ratios in their predictive models. In brief, the purpose of these studies has been: (i) to investigate whether financial ratios are the significant variables to predict the survival or failure of the firms: and (ii) to detect the ratio or a set of ratios taken together which are good predictors or indicators of such an event.

Scope of the Study

The studies conducted for predicting company failure are scanty in India. Very little progress has been made in empirical testing of financial ratios with a view to showing which of them realy reflect a company's state of health, its chances of survival or failure. Since no serious systematic attempt has been made in this direction, therefore, an attempt has beeen made in this study to show the way towards a more systematic and scientific financial ratio analysis for predicting the chances of survival or failure of a company. Furthermore, an attempt has been made to know the causes of Industrial Sickness in Cotton Textile Mills of Uttar Pradesh.

Objectives of the Study:

The general objectives of the study is to diagnose the sickness in cotton textile mills of Uttar Pradesh by identifying the causes and to suggest preventive and curative measures. The specific objectives of the study are:

1. To review the concept of Industrial Sickness.
2. To review the Government policies for

rehabilitating the Industrial Sickness.

3. To analyse the growth and development of Cotton Textile Mills of India.
4. To analyse the performance of Sick Cotton Textile Mills of U.P.
5. To evaluate the financial performance of Sick Cotton Textile mills of National Textile Corporation with an object to predict sickness through ratio analysis.
6. To identify the factors causing sickness in Cotton Textile mills of U.P.
7. To conclude the finding and to suggest remedial measures to arest the sickness for the revival of the units selected for the study.

METHODOLOGY

To fulfil the objectives of the study both the primary and secondary data were collected from the following sources.

1. The Employers Association of Nothern India, Kanpur.
2. National Textile Corporation , Kanpur.
3. British India Corporation , Kanpur.

4. Chambers of Commerce, Kanpur.
5. Directorate of Industries, Kanpur.
6. National Handloom Development Corporation Ltd. Lucknow.
7. PHD House, Associate Chambers of Commerce, N.Delhi.
8. Ministry of Textile, Udyog Bhavan, N .Delhi.
9. Federation of Indian Chambers of Commerce. N.Delhi.
10. Elgin Mills. No.1, Kanpur.
11. New Victoria Mills , Kanpur.
12. Atherton Mills, Kanpur.
13. Swadeshi Cotton Textile Mills, Kanpur.
14. Swadeshi Cotton Mills, Naini.
15. Bijli Cotton Mills, Hathras.
16. Shri Vikram Cotton Mills , Lucknow.
17. Maulana Azad Library, Aligarh.
18. Seminar, Department of Commerce, AMU.

To achieve the seven objectives of the study, field investigation has undertaken and primary data were collected from the selected sick cotton textile mills of Uttar Pradesh with the help of structured questionnaire.

Limitation of the Study

The limitation under which the study conducted are as follows.

The first limitation was the cost consideration and time factor. The second limitation is that the study is confined to only seven sick cotton textile mills of U.P. Third limitation is that no scholarship and other financial support was given by the university for conducting the survey and collection of data.

Finally, researcher faced many problems in collecting the primary data from the selected units. However, the above mentioned limitations have hardly any significant effect on the quality of present study.

Scheme of the Chapterisation.

The study is presented in seven chapters. In the introduction a brief review of earlier studies, scope of the study, objectives of the study, method of collecting data and limitation of the study have been described. The first chapter is devoted to review the concept of sickness. The second chapter reviews the Government policies which have been designed to

rahabilitate the sick units in India. The third chapter deals with the growth and development of cotton Textile mills of India. Chapter fourth highlights the performance of cotton textile mills of Uttar Pradesh. Chapter fifth evaluates the financial analysis of National Textile Corporation's mills of Uttar Pradesh to identify the sickness in the mills. Chapter sixth has been devoted to identifying the Internal and External causes of sickness and chapter seventh runs through the summary and conclusion.

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Chapter I

INDUSTRIAL SICKNESS- A CONCEPTUAL APPROACH

A person is treated as sick if any organ of its body (system or sub system) is not functioning normally. Similarly, if any functional area of an industrial unit (viz. production, finance, marketing, personnel management) develops any abnormality, the whole unit may become sick.

The term "Sick Units" carries different meaning depending upon the content in which it is used. The person associated with the unit may look at it differently. For instance, the workers of a Sick Unit may consider it sick if they are not getting their wages and increments in time. The investors may consider it sick if the company is not declaring any dividends, the financial institutions may judge it from its account and non - payment of investments, the promoters may measure it from the reduction in return on their investment etc.

Thus, there are a number of definitions for sickness which are based on different norms viz. liquidity, solvency, erosion of equity, cash losses, amount of irregularity in bank accounts etc. some of the important definitions provided by different organisations and people have been discussed as follows.

Industrial sickness is defined as "the situation where the revenue of a firm are insufficient to meet the cost and the rate of return on investment is less than firm's cost of capital"[1]. The study team of State Bank of India in its Report on Small Scale Industries Advances, 1975, defined a sick uint as "One which fails to generate an internal surplus on a continuing basis and depends for its survival upon a frequent infusions or external funds".[2]

The State Bank of India while defining a sick unit set the guidelines as :

i) erosion of equity into negative,

ii) continuous cash losses over a period of time resulting in slide down of its equity say less than 50 per cent.

iii) persistent irregular drawings in working capital accounts, not converted by current assets say for a year reflecting increasing trend,

iv) stoppage of production activity.[3]

The Development Commissioner of Small Scale Industries followed the under mentioned criteria for deforming their sickness:

i) capacity utilisation below 50 per cent in comparision to higher capacity utilised

during preceding five years,

ii) closure of the unit for a period more than six months,

iii) during the short period, the units running of irregular accounts with the bank continuously for a period of six to nine months reflects its distress,

iv) over a period of time the sickness could be measured in terms of erosion of net worth of the unit and the rate at which it was eating away its capital which could be more than 10 per cent per annum.[4]

Reserve Bank of India has defined the sickness as "a sick unit is one which incurs cash losses for one year and which in the judgement of the bank, is likely to continue to incur cash losses for the current year as well as the following year, and which has an imbalance in its finance structure, such as a current ratio of less than 1:1 and a worsening debt-equity ratio (total outside liabilities to net worth)".[5]

" A unit may be considered sick in which a major part, say 50 per cent of its equity and reserves are eroded by cash losses. In the case of the entrepreneurs scheme,a sick unit is one in which there are no owned funds, a depletion of 15 per cent in the

total working funds of these units may be considered indication of sickness. A persistent irregularity in working capital advances (not on account of inadequacy of limits) for a period of 12 to 18 months or stoppage of production for a sufficiently long period, say, six months, may be taken to signify sickness". A sick unit is also defined as one which does not yield a reasonable return, say 15 per cent on capital and reserves after providing for depreciation. An other view says that a sick unit is one which works below 20 per cent of its installed capacity or works at lower than break even point.[6]

According to ICICI, 'Sick Industry' is one whose financial viability is threatened by adverse factors present and continuing. The adverse factors might relate to management, market, fiscal burden, labour relations or any other. When the impact of these factors reaches a point when a company begins to incur cash losses leading to erosion of its fund there is a threat to its financial viability. The Financial Bill, 1977 contained a clause defining a sick unit as one whose 50 per cent or more of the capital reserves were wiped out by the losses.[7]

Industrial Development Bank of India(IDBI) defined Sick Unit as one which has incurred cash losses during the previous accounting year and is

likely to incur cash losses in the current year and there is erosion on its net worth to the extent of 50 per cent or more.[8]

The National Institute of Bank Management defined Sick Units as "those where the operation results in continuous losses bring down the working capital available and ultimately affecting the borrowing potential almost permanently". In tune with this definition the Small Industries Development Organization observed "A Unit is sick if the capacity utilisation is less than 20 per cent of the installed capacity".[9]

The Small Industries Development Organisation while adopting the definition of Sick Units paid more emphasis on the capacity utilisation. It has pointed out that unit which is utilising its installed capacity below 20 per cent will be considered as sick unit.[10]

As per terms lending institutions a unit is classified as sick after taking into account any or more of the following symptoms (a) continuous defaultes in meeting four consecutive half yearly instalments of interest or principal in respect of institutional loans (b) continuous losses for a period of two years or a continued erosion in the net worth, say by 50 per cent (c) mounting arrears on account of statutory and other liabilities for say, a period of one or two

years.[11]

The Government of India enacted the sick Industrial Companies (Special provisions) Act, 1985. According to it, "an Industrial company (being a company registered for not less than seven years) as sick when it has at the end of any financial year accumulated losses equal to, or exceeding its entire net work and has also suffered cash losses in such financial year, and the financial year immediately preceding such financial year".[12]

International Labour Organisation defines units as sick if it works below 25 per cent of the installed capacity.[13]

The definition of sick industrial company as per the Sick Industrial Companies Act, 1985 is as under:

"Sick Industrial Company means an industrial Company (being a company registered for not less than seven years) which has at the end of any financial year accumulated losses equal to or exceeding its entire networth and has also suffered cash losses in such financial year immediately preceding such financial year".[14]

Under sec. 23 of this Act, those companies whose accumulated losses as at the end of any financial year have resulted in

erosion of fifty per cent of net worth would also attract the provisions of the Act.[15]

Any industrial organisation would be treated as sick if it does not function normally. The lenders view a unit is sick, if (a) it fails in payment of interest on loan due to cash losses, and for (b) there is a financial imbalance that is to say the current ratio is lower than 'one' and the capital is heavily geared and/or (c) the sales (quantity and volume) and the profits and dwindling consistently.[16] In this way a sick unit may be one in which current ratio is lower than one or current libilities exceeds current assets and profits are continuously going going down resulting to the failure in the payment of interest on loans and further more the unit fails to repay the loan in time. For its survival it began to look for freshers loans for meeting its obligations.

In view of Ministry of Labour, an early warning of impending industrial sickness would be the first occasion of the managment defaulting in the payment of workers, dues constantly for a period of three months. Such defaults can serve as an advance warning to the state Government as also to the banks and financial institutions for being alert about such

units.[17]

According to another School of Thought, only such units may be deemed as sick where a major part, say, about a half of their equity and reserves is wiped out by way of continuing cash losses. In fact, the soft loan scheme of the Industrial Development Bank of India (IDBI) designed to tone up the financial viability through increased productivity of industrial units, would cover only weak units, whose owned funds have been wiped off to the extent of 50 per cent or more and which have incurred cash losses during the last two years. For the purpose of identifying the sick units, the parameters prescribed by the RBI are usually adopted by banks including SBI, in order to ensure uniformity of apporach.

Industrial sickness is defined as "the situation where the revenue of a firm are insufficient to meet the cost,and the rate of return on investment is less than firm's cost of capital".[18]

It means when the cost of capital exceeds, the expected or actual return of a firm, the unit becomes sick. It is a position where it is found unprofitable to run the industrial unit because the revenues of the firm are lesser than the cost of capital or investment.

(a) At the "enterprise" level cash loss i.e.,loss

before depreciation, over a continuous stretch of three years could form a practical yardstick for identifying sick units. Cash losses suffered for just one or two years may be very temporary phenomena in the life of an organisation which has been in existence for over a period of around, say, ten years, after its gestation stage is over. An extension of this yardstick could be - a unit would be sick if cash losses were suffered by it for more than or equal to 50 per cent of the duration of the business cycle for that industry or for two successive cycles. Even if a firm does not incur cash losses. post depreciation losses could have eroded its net worth over a number of years. It may therefore be suggested that as soon as a firm's accumlated "share capital plus free reserve" become zero, it should be considered as a sick unit. A firm may have been incurring cash losses for three years, and yet its net worth may not have come anywhere near zero. Or, cash losses for even two years may have turned the net worth to zero or negative. It is prudent therefore to assess sickness by the joint use of both criteria. For us, both situations should qualify for being called as "sick".[19]

(b) At the "industry" level, the proportion of indiviiidual units defined as sick in terms of the previous paragraph, to the total number of units

existing-both computed on the same date could be a measure of sickness afficting a given industry. As a starting point we may suggest that if such a ratio is 40 percent or more, for a certain industry, it could be called sick. One may criticise this index by arguing that it may not express the degree of affiction in an industry in terms of other parameters like installed capacity or capital employed. Thus, although 5 per cent of the units could be sick, in terms of the proportion of total installed capacity for that industry this may represent only 30 per cent. And there could be reverse situation also where only 30 per cent of the units could be sick which might constitute 50 per cent of the installed capacity or capital employed. While capital employed will have several definitional problems, installed capacity would be a more standardised parameters. Hence, one can suggest that a given industry may be called sick if 50% or more of its aggregate installed capacity consists of the installed capacities of enterprises which are sick as defined in the previous paragraph. Besides, industry here would exclude small scale industry as defined today. This size group needs to be treated separately.

(c) Lastly, at the "regional" level too one can suggest some index of sickness. The policy formulation cannot ignore this aspect. One can submit that the trend in the ratio of sick units defined as above to

the number of new units for each year over a period of, say, last ten years might be watched for measuring regional sickness. One should perhaps exclude from such calculations mammoth public sector units. It is also admitted that the new units may not have parity with sick units in terms of employment potential, vis-a-vis investment made, and so on. Such refinements should await further research.

Conclusion

On the basis of above mentioned definitions and the criteria it may be concluded that sick unit is one which bears one or more of the following symptoms:

(i) a unit having negative equity; (ii) a unit incurring continous cash losses; (iii) the chances of recouping losses are either low or negative; (iv) a unit starts eating away its capital; (v) a unit stopped its production activities; (vi) Current liabilities exceeds current assets; (vii) irregular accounts with banks; (viii) a unit closed permanently; (ix) a unit utilising its capacity below 20 percent; (x) rate of return on investment is less than the cost of capital; (xi) increased customers complaints; (xii) ability to face competition and ability to exist in the market is low; (xiii) a unit fails to meet its social and economic obligations; (xiv) a unit is not in a position

to survive; (xv) low employees morale due to mismanagement; (xvi) decline in the quality and service; (xvii) a sick unit is one that has incurred cash losses in the immediately preceding two years and in the judgement of credit institutions is expected to incur these losses during the current year; (xviii) a sick unit is one whose net worth has been eroded to the extent of at least 50 percent; (xix) a sick unit is one whose working capital advance account with the bank was irregular and this persisted over a longer period of time 12 to 18 months and is likely to become more persistent; and (xx) a sick unit is one which has defaulted in paying four consecutive half-yearly (or two consecutive annual) instalments of principal and interest on terms loans, if any.

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Chapter II

GOVERNMENT POLICIES FOR REHABILITATION OF SICKNESS IN INDUSTRIES - A REVIEW

Sickness has different meanings to different people. To the investors it is foregoing payment of dividends, to the industrialist it is growing financial liability and erosion of their investments by loses, to the workers it is the threat of losing job, to the financial institution it is the question of sinking large funds, and to the Government it is the problem of precious capital going waste and valuable assets remaining idle. The effect of industrial sickness on bank and other financial institution is to make their operations less productive. Profitability of banks is eroded by interest write-offs, loan write downs, revenue loses from reduced interest rates and interest funding at zero-rates and non-availability of funds for recycling.

Keeping in view the growing incidence of industrial sickness and the resources blocked in sick units, it is realised that solutions are to be found to rehabilititate sick units.

Rehablitation is a remedy considered for industrial units which have already become sick and are on the verge of virtual collapse. Some viable policy

measures are required to revive the sick units. Ad-hoc remedies and commitments to keep the unit running would not help to overcome the problem of industrial sickness in the long run.

Rehabilitation has been discussed under two heads:

(I) What has been done at the various levels by the Union Government, the Reserve Bank of India and the Financial Institutions to rehabilititate sick units?

(II) What should be done to revive sick units?

Some of the measure evolved to rehabilitate sick units at various levels are below.

1. Industrial Reconstruction Corporation of India.
2. Soft Loan Scheme (1976)
3. Merger Policy (1977)
4. Policy Guidelines on Sick Units (1978)
5. Government Policy for Industrial Scheme (1981)

Industrial Reconstruction Corporation of India

The Industrial Reconstruction Corporation of India Ltd. was set up in 1971 as an adjunct to the developmental institutions with the primary objective to revive or revitalise industrial units which were closed or those which were sick and facing closure but

showed promise of viability. Now the IRCI maintains a list of professional managers, invites public sector units to share their expertise management practices in sick units.

Soft Loan Scheme

The soft loan scheme was introduced in November, 1976 for modernising the five selected industies, namely, cotton textiles, jute, cement, sugar and specified engineering industries. The main objective of the scheme is to provide financial assistance on concessional terms to the weaker units in these five groups for modernisation, replacement and renovation of their old plant and machinery.

The scheme is being operated by the IDBI with participation of IFCI and ICICI. The IFCI is the lead institution for jute and sugar industries, IDBI for cotton and cement industries and ICICI for engineering industries. However, the over all responsibility of operating the scheme is vested in IDBI. Loans, under the soft loan scheme, are provided on concessional terms not only regard to the rate of interest, but also in regard to other provisions such as the promoter's contribution, debt equity ratio, initial moratorium and repayment period. In pursuance of the decision taken by the Union Government in November 1977, loan under this scheme are exempted from the convertibility

clause.

Under the soft loan scheme, the unit have been classified into three groups-weak, not so weak and better off units. 'Weak' unit are those in respect of which erosion in paid-up capital and reserves is above 50 per cent, 'not so weak' units are those in respect of which such erosion is up to 50 per cent and 'better off' units as those without such erosion. The entire financial assistance to 'weak units' is given at concessional rate of 7.5 per cent, while the concessional part is reduced in the case of 'not so weak' and 'better off' units on a grading scale depending upon the financial position of the units.

Merger Policy (1977)

In 1977, the Union Government evolved a scheme of merger of sick units with healthy ones with a view to revive sick industrial units. In the Finance Act, 1977 the Government introduced certain fiscal concession under section 72-A of the income-tax Act. Whereby a healthy unit taking over a sick unit was allowed to carry forward and set off the accumulated losses and unabsorbed depreciation of the latter against its own tax incidence. However, it was stipulated that the merger should be in the public interset. In respect of the amalgamations mooted by

MRTP companies, the requirement was an overwhelming public interest. Three conditions were laid down for overwhelming public interest :

(a) The amalgamated companies should have experience of manufacturing the same products as produced by the sick unit proposed to be taken over by it.
(b) The sick unit considered for merger with a healthy unit should belong to a industry suffering from widespread and chronic sickness.
(c) There must be a demonstrable gain to public intereset through the proposed merger.

It was further required that (1) the sick unit to be taken over should have employed staff numbering more than 100 and (2) it should have assest of more than Rs 50 lakhs. These two conditions were applicable to both MRTP and non-MRTP companies.

In September 1980, the Union Government decided to withdraw all the above conditions on account of steady progress of company takeover under the scheme. The liberalisation led to more expeditious clearance of merger proposal which is clear from the data that between 1978 and September 1980, only 16 schemes had been apoproved, while between Sepemtember 1980 and June 1981 the number of approvals was 25.

Until August 1979 ,the Government did not allow amalgamations of inter-connected companies or

subsidiaries with their principal units taking the view that such mergers were against the basic objectives of the policy relaxation under Section 72-A of the Income Tax Act. But in August 1979, in a bid to make the scheme more attractive, it was decided to throw open the tax concession also to companies mergering with their subsidiaries or inter-connected units.

Government Policy on Sick Industry (1978)

The Minister of Industry announced in the Lok Sabha on 15th May 1978, a policy on sick industries. The Policy (1978) on Sick Industries recognised that the revival of a sick unit cannot be responsibility of any single agency and that it can be achieved effectively only by a sharing of the responsibility by Central Government and state governments. Some of the important features of the policy are :

In case where the units are sick due to faulty management practices, financial institutions will jointly set up a group of professional directors to be nominated on the board of directors of such companies.-

- In the case of industrial units that are already sick the following options be explored before the take over of manamengent:[1] (a) Rehabilitation through state goverments and financial institutions

which would provide both financial and managerial support.

(b) Proposals, if any for the merger of the sick unit with a healthy unit.

- In other cases a screening committee set up under the chairmanship of the Secretary, Industrial Development, with the representatives of financial institutions will examine the further course of action.

- Certain guidelines have been evolved which the screening committee will take into account while considering the possibility of take-over of the management under the Industries Act.

- In certain cases the screeing committee may recommend initial take-over of management particularly where the unit employed more than 500 persons and has fixed assets of not less than Rs. one crore. Besides, management will also be taken over of the unit is considered necessary in national interest.

- After take over of the management, Government may sell it as a running concern or reconstruct the under taking, or merge the unit with a public sector undertaking.

- Sick units of the small scale sector will be given special attention.

It would appear from the above Policy Statement that Government have given a major responsibility to banks and financial institutions to appoint directors on the boards of management. Similarly, take over of management by Government in many cases may not be the right solution. It may be mentioned that in some cases Government policy itself has been responsible for causing sickness in industrial units. For instance, the controlled cloth policy of the Government in the textile industry had made many units sick as the prices were pegged down at an uneconomic level. Goverment have now announced the New Textile Policy and the obligation of the mills in the private sector has been phased out from 1st October 1978. This policy declaration itself has improved the working of many textiles mills.

Government Policy for Industrial Scheme , 1981

For dealing systematically with the problem of industrial sickness, in October 1981, Government of India announced certain policy measures for the guidance of Central Ministries, state governments and financial institutions. The salient features of these guidelines were as follows :

a) Administrative Ministries' Role

The administrative ministries in the Central

Government are the authorities that have specific responsibility for prevention and remedial action in relation to sickness in industrial sector within their respective charge. They should play a central role in monitoring sickness and coordinating action for revival and rehabilitation of sick units. In suitable cases, they should also establish Standing Committees for major industrial sectors where sickness is widespread.

b) Strengthening of the Monitoring Mechanism by Bank and Financial Institutions

Financial institutions should strengthen the monitoring system so that it is possible to take timely corrective action to prevent incipient sickness. They should obtain periodical returns from the assisted units and from the directors nominated by them on the boards of such units. These should be analysed by Industrial Development Bank of India and results of the analysis should be conveyed to the financial institutions concerned and the government.

c) Diagnostic Studies by Banks and Financial Institutions and Drawing up of Revival Plans

The financial institutions and banks should initiate necessary corrective action for sick or prone-to-sickness units based on diagnostic studies. In case of growing sickness, the financial institutions should

also consider assumptions of management responsibility where they are confident of restoring a units to health.

The most vital aspect perhaps is a critical assessment of the proposed unit's resilience in times of adversity. For any unit, the seeds of sickness lie in its vulnerability to adveresly changing parameters. In the present times of uncertainty , such parameters could be factors like inflation, imposition of import or export restrictions, the possibility of technological obsolescence, and so on.

Financial institutions often fail to lay down strict criteria and also areas of priority in respect of capital expenditure by the borrowers. The result is reckless distortion of priorities by some of the borrowers. A large part of the expenditure incurred during the implementation of the project is often found to be avoidable at that stage. Among others, they resulted in keeping the capital of the company larger than the normally accepted level, leading to a higher debt serving burden. But financial institutions are unable to act effectively. They should not allow their borrowers to get their priorities wrong.

d) Report by Banks and Financial Institutions to Government to Determine whether Nationalisation of the Units or any Other Alternative is Necessary

Where banks and financial institutions are unable to prevent sickness or ensure revival of a sick unit, they should deal with their outstanding dues to the unit in accordance with the normal banking procedures. However, before doing so, they should report the matter to the Central Government [now -BIFR, constituted under the Sick Industrial Companies (Special Provisions) Act 1985] who would decide whether the unit should be nationalised or whether any other alternative, including workers' participation in the management, can revive the undertaking.

e) Take-over of a Sick Unit Under IDR Act

Where it is decided to nationalise the undertaking, its management may be taken over under the provisions of the Industries (Development & Regulation) Act 1951, for a period of six months to enable the Government to take necessary steps for nationalisation.

f) Decision after Take-Over

In regard to the industrial undertakings already being managed under the provisions of the Industries (Development & Regulation) Act 1951, a decision should

be taken if it should be nationalised or any other alternatives can provide a solution, the alternatives being revival under the same management, revival under a new management, amalgamation/merger of a sick unit with a healthy one, leasing, etc. If none of the alternatives is considered feasible, the Government may consider de-notification of the unit, in which event the banks and financial institutions will deal with their outstanding dues to the undertaking in accordance with the normal banking procedures.

Present Industrial Infrastructure for Monitoring Sickness

The following are the main monitoring agencies currently functioning in the country :

(a) Monitoring Cells in Banks

Each bank has a setup of its own to monitor cases of sickness among its clients. Irregular accounts are placed under special scrutiny. Also, when applications for renewal of credit facilities or fresh facilities come up, banks are supposed to carefully go into the health of their clients (basically on the basis of selected financial indicators). Banks in their turn pass on the information to the RBI.

(b) Sick Industrial Undertaking Cell of RBI

Within the RBI, there is a Sick Industrial Undertaking Cell which acts as a clearing house for information relating to sick units and also monitors information relating to undertakings which are covered under rehabilitation/nursing programmes.

(c) RBI Standing Committee

A Standing Co-ordination Committee in the RBI tries to bring about better co-ordination between concerned agencies. Its activities are different from those of the cell is basically an information gathering agency, the Standing Committee gets itself involved in devising measures and in bringing about co-ordination between the measures to be taken by different agencies.

(d) Special Cell in IDBI and Other All-India Financial Institutions

The IDBI and other financial institutions have special cells which collect informations about sick units and then pass it on to the RBI.

(e) Industrial Reconstruction Bank of India (IRBI)

The Industrial Reconstruction Corporation of India (IRCI), which was established in 1971 with a view

to functioning as a credit and reconstruction agency for industrial revival and rehabilitation of sick and closed industrial units, has now been changed as Industrial Reconstruction Bank of India (IRBI). It had no special powers and it could at the most act as a catalyst to bring together the banks, the enterpreneurs, the institutions and the Government to explore the possibilities of rehabilitation. The IRBI was left in a very difficult situation to prepare and implement rehabilitation schemes in co-operation with multiple of agencies, but it had no legal or statutory power to enforce any scheme through these agencies. Out of the 330 units assisted by Industrial Reconstruction Bank of India till the end of June 1986, 136 units are revived and 131 are under nursing programme. The rest of the units have either continued to incur losses or have been de-notified with measures initiated for legal proceedings and recall of advances.

Merger and Amalgamation

Another measure to revive the sick units could be to allow the merger of sick units with the healthy ones. To facilitate this arrangement, the Finance (NO. 2) Act, 1961 relaxing the provisions contained in that Act relating to carry forward and set-off accumulated business loss and unabsorbed depreciation allowance in certain cases of

amalgamation. This scheme does not seem to be very popular since only 19 companies have applied for amalgamation so far under 72A. With protracted delay only a few applications have been cleared. The main hurdle seems to be clearance from the MTTPC angle. The delay in taking decision by the specified authority in granting mergers has dampened by the interest of healthy units and the MRTP units to go forward to revive a sick unit through this process.

Conclusion and Suggestion

There cannot be one single solution for the revival of sickness. Problems have to be identified industrywise and unitwise. The units which have been mis-managed will have to change hands, and a proper scheme of reconstruction would have to be devised. In deserving cases, mergers and amalgamation should be allowed rather than take-over of the management by Government. Wherever Government poicy is responsible for making an industry sick, it would be advisable to modify the policy taking into account the broader objectives of growth. In some cases a unit may not be viable inspite of any assistance that can be given for temporary sustenance. Such units should be allowed to close down. Of course, this will create the problem of displacement of labour, but this will have to be sorted out rather than creating further

difficulties by merely keeping the units alive.

In the revival of sick units banks and financial institutions have a great role to play. They have to strengthen their monitoring system and initiate early steps before the units reach a stage that they cannot be revived. In fact, the banks and financial institutions have not been properly able to organise their monitoring system and they do not have up-to-date information about the assisted units.

Since the causes for sickness could be different for diffrent units, there cannot be a specific formula to rehabilitate a sick unit. Each case will have to be diagnosed separately and proper remedies should be found for it. However, some broad guidelines are suggeseted to nurse and rehabilitate a sick industrial unit. The following may be considered important in this regard.

(a) The causes for sickness must be clearly identified, preferably through a diagnostic study by a competent independent agency. Also the potential viability of the unit must be analysed considering the size of the unit, the stock of a bank and the complexities or sophistication of operation.

(b) The assets and liabilities of unit must be ascertained from the borrowers and this

information must be put to the scrutiny of auditors.

(c) The assets charged both current and fixed should be evaluated, parlicularly when it is estimated that there is a wide gap between the outstanding amount and the declared book value of assets.

(d) An assessment of fund required both long term and short term, should be made. Normally, a bank will provide additional funds for working capital, but some amount on a long-term basis may also be made available depending upon the urgency of the situation. In other words the long-term capital base of small units must be improved.

(e) Necessary resources must be made available to install additional machinery to modernise the unit and improve its productivity.

(f) Managerial deficiencies must be detected and the units must be asked to induct professionals on the Board of Direcctors. Competent technical and managerial personnel must be appointed to the key positions to in-production, finance and marketing.

(g) Sick units need time to genertae surplus and build themselves up when remedial measures are applied. They would, therefore, need concessions in interest, margin money and time for the repayment of debts. Depending upon the merits of each case, a bank will have to consider :

(i) The funding of unpaid interest/instalment/ uncovered part of the advance;

(ii) easy repayment instalment of long-term loans with reasonable moratorium;

(iii) reducing interest and margin;

(h) The Government may come up with proposals, if necessary through legislation to protect the interest of the small industry.

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Chapter III

GROWTH AND DEVELOPMENT OF COTTON TEXTILE MILLS IN INDIA - An Overview

After Independence, there were just over 10 millions spindles and nearly 200 thousand looms in the organised sector of the country. Most of the machines were obsolete and outdated. They had been working round the clock during the war periods in order to fulfil wartime requirements as well as the needs of the civilian.[1]

The Textile industry was badly effected due to partition. More than 30 per cent of the cotton growing area was in the territorial boundry of Pakistan which created the problem of raw materials.

The textile sector of India can be grouped into three sub sectors viz. organised mill sector, decentralized powerloom sector, and the handloom sector. As on 31st March, 1989, the organised sector of the Indian Textile industry consists of 1056 mills of which 733 were spinning and 283 composite mills. The installed capacity is aggregated to 26.44 million spindles and 1.98 lakh looms. The number of installed open-end rotors had been placed at 40,000 in 1988-89 as against 19,000 in 1987-88. Out of the total spindleage, about 7 millions were reported to be idle. Of the total 1.98 lakh looms, 58.052 or 29.4 per cent

of the total, were automatic looms. The total number of shuttleless looms was placed at 2213. Of the total loomage, about 77,000 were reported to have remained idle during 1988-89.[2] As regards the decentralised sector, consisting of handlooms and powerlooms accurate data were not available as there were several unregistered units which have mushroomed in the rural and semi-urban areas of several states. However, on the basis of the data compiled by different agencies, the present strength of handlooms is placed at 33.04 lakh and that of powerlooms at 9.18 lakhs.

Capacity

The capacity utilisation in case of spindles during 1988-89 was nearly the same as in 1987-88. The figures of shift-wise utilisation were as under:

Table 3.1 showing the shiftwise capacity utilisation

Year	Daily average No. Worked (in Million)			Percentage Utilisation		
	I Shift	II Shift	III Shift	I Shift	II Shift	III Shift
1987-88	19.52	19.80	18.43	74.53	75.60	70.37
1988-89	19.62	19.90	18.52	74.29	75.35	70.12

Source:- The All India Federation of Corporation Spinning Mills Ltd (AIFCOSPIN ANNUAL). 1989, Bombay.

From the foregoing table 3.1 it can be observed that the capacity utilisation in IInd Shift was (75.60 per cent) higher than the Ist Shift (74.53 per cent) and IIIrd Shift (70.37 per cent). While comparing to the performance of 1988-89, it can be said that the capacity utilisation has declined in all the three shifts.

Average Spindle Utilisation

An idea of average spindle utilisation of working mills in three shifts during the period 1987-88 and 1988-89 can be had from the following table 3.2.

Table 3.2 showing the average spindle utilisation of working mills (per cent).

	1987-88	1988-89
I Shift	84.6	85.71
II Shift	85.8	86.94
III Shift	79.9	81.17

Source:- AIFCOSPIN ANNUAL 1989, p.15

The above mentioned table 3.2 reveals that the highest average spindle utilisation was in the IInd shift followed by Ist shift in 1987-88 and similarly in 1988-89.

Yarn Production

The production of yarn during 1988-89 and 1989-90 has been depicted in the following table.

Table 3.3 shows the yarn production

	1987-88	1988-89
	(in million kg.)	
Cotton Yarn	1321.5	1302.1
Blended and 100 per cent non-cotton yarn	233.4	260.8
Total Yarn	1554.9	1562.9

Source:- AIFCOSPIN ANNUAL 1989, p.15

It can be seen from the above mentioned table 3.3 that the production of cotton yarn has slightly declined in 1988-89, but there is an increase in the production of blended and non-cotton yarn on account of which the total yarn production in 1988-89 has increased than that of 1987-88.

Cloth Production

The total production of cloth by all the three sectors viz. mills, powerlooms and handlooms was 13,282 million metres in 1988-89 as against 12,992 million metres in 1987-88. The sector-wise production

of cotton cloth and blended/non-cotton cloth during the two years can be seen in the following table 3.4.

Table 3.4 shows the Cloth Production

(Million metres)

	1987-88			1988-89		
	Cotton cloth	Blended/ non-cotton cloth	Total	Cotton cloth	Blended/ non-cotton cloth	Total
Mill Made	2234	793	3027	2021	788	2809
Powerlooms	4724	2723	6457	3680	3327	7007
Handlooms	2442	76	3508	3381	85	3466
	9400	3592	12992	9082	4200	13282

Source :- AIFLOSPIN ANNUAL 1989. p.15

From the above mentioned table 3.4 it can be observed that the the share of Mills in total cloth production is only 21 per cent. While the share of powerlooms is 52.8 per cent. During 1987-88, the percentage shares of mills, powerlooms and handlooms in total cloth production were 23 per cent, 50 per cent and 27 per cent respectively. The total production of cotton cloth has decreased from 9400 million metres in 1987-88 to 9082 milion metres in 1988-89. Likewise, the share of cotton cloth to the total production had also come down from 72 per cent in 1987-88 to 68 per cent in 1988-89. Therefore, it can be concluded that overall Capacity of cloth production had declined year

after year which is a sign of industrial sickness.

Powerlooms

There were 9.18 lakh powerlooms installed in the decentralised textile sector at the end of the year 1988-89. Out of this, 5.27 lakhs were working on cotton. The state-wise break-up powerlooms can be seen from Table 3.5

The Table 3.5 shows the number of powerlooms state-wise

(Figs.in lakhs)

S.No. State	Total No. of powerlooms	Cotton powerlooms
1. Andhra Pradesh	0.14	0.12
2. Assam	0.03	0.03
3. Bihar	0.02	0.01
4. Gujrat	2.06	0.43
5. Haryana	0.06	0.03
6. Karnataka	0.39	0.14
7. Kerala	0.02	0.01
8. Madya Pradesh	0.31	0.31
9. Maharashtra	3.26	2.43
10.Orissa	0.02	0.02
11.Punjab	0.19	0.05
12.Rajasthan	0.25	0.21
13.Tamil Nadu	1.75	1.05
14.Uttar Pradesh	0.56	0.35
15.West Bengal	0.04	0.02
16.Other State/Union Territories	0.08	0.06
TOTAL	9.18	5.27

Source:- AIFCOSPIN ANNUAL 1989, p.65

From the above said table it can be seen that among the 16 states and union territories, Maharashtra has the highest number of powerlooms (3.26 lakhs)

followed by Gujrat (2.06 lakhs) and Tamil Nadu (1.75 lakhs). Of the total 9.18 lakhs powerlooms, 5.27 lakhs were cotton powerlooms. Maharashtra and Tamil Nadu had the highest number of cotton powerlooms. This leads to a conclusion that the cotton industry is highly concentrated in Maharashtra and Tamil Nadu.

Out of the total 5.27 lakh cotton powerlooms, over 90 per cent were small scale units with 4 looms. These small scale units suffered from numerous socio-economic constraints such as the erratic supply of yarn, variations in its quality and prices, higher overheads on account of under utilisation, lack of institutionalised infrastructural facilities and marketing organisations etc.

Production of Powerloom

The Powerloom industry is producing over 3680 million meters of cotton cloth per annum which constitutes 41 per cent of the total quantum of cotton cloth produced in the country. Majority of the looms do not function stricty on standard shift basis. These looms generally work for one and half shift or 12 hours a day and produce roughly about 40 to 45 metres of cloth. Therefore, the production of cloth of 5.27 lakh authorised powerlooms would be nearly 7115 million metres per annum as against the actual production of

3680 million metres. The capacity was, thus under utilised. A Detailed bréak up of production of poweloom cloth during the last five years can be had from the following table 3.6.

Table 3.6 shows the Production of Powerloom Cloth.

S.No.	Year	Production of powerloom cloth (cotton) in million meters
1.	1984-85	3348
2.	1985-86	3435
3.	1986-87	3676
4.	1987-88	3734
5.	1988-89	3680

Source:- AIFCOSPIN ANNUAL, 1989, P.

The table 3.6 depicts that the production of power cloth has increased from 3348 million metres in 1984-85 to 3680 million metres in 1988-89, recording an increase of 109.9 per cent. This sector shows that there is an improvement in the powerloom sector of the country.

Decentralised Textile Sector

The decentralised textile sector consists of about 33.04 lakhs handlooms (cotton) and nearly 9.18 lakhs powerlooms (cotton 5.27 lakh). Carpet, duree,

tape, hosiery and newar looms have been excluded from this industry. Braiding, Jari and wick making etc. also form the part of it. In addition, a large number of dyers and printers also run their small scale units. They are as an integeral part of this sector. There are about 5 lakh small dyers and printers. Co-operative spinning mills which supply yarn to this sector are also its integral part. At precent 195 cooperative spinning mills with nearly 5.46 million spindles have been proposed to be installed. Of these 107 mills are in production accounting for 2.82 million spindles.[3]

Employment

In developing countries like India, there is tremendous unemployment which is posing a serious obstacle in the socio-economic development of the country ; that is why more and more emphasis has been laid in each and every successive years for the establishment of labour intensive industries. Therefore, Textile industry is one of the labour intensive industries. It is desirable to note that the handloom sector provides jobs to nearly 10 million people, and an equal number of people are employed in its ancillary activities. About a million people work on powerlooms. Another one million jobs are provided by the dye-houses and other ancillary units providing and

post-weaving facilities. In the cooperative spinning mills about a lakh of people are employed. Thus, this provides direct employment to this sector provides 22 million people.[4]

Capital Investment

The capital investment in the decenrtralised textile industry is estimated to be of the order of Rs. 1500 crores. Of this, handlooms account for about 150 crores. An amount of Rs. 300 crores has been invested in the powerlooms. The balance amount of Rs. 1050 crores is invested in the spinning cooperatives, including those which are in advance stages of installation. Another 55 mills are in the preliminary stage of installation. When all these new mills are installed the total investment in the spinning sector may rise to Rs. 1750 crores, making a total investment of Rs. 2200 crores.[5]

Yarn Requirement

The estimated annual requirement of yarn is for 33 lakh handlooms is 413 million kgs. (125 wroking days at the rate of half a kg. of yarn for average daily production of 5 to 6 metres). Similarly, the yarn

requirement for 5.27 lakh cotton powerlooms is estimated at 632 million kgs. per annum (300 days working and 4 kgs. of yarn per day for average production of 40 metres). Thus, the total yarn requirement of the decentralised sector would be to 1045 million kgs. (average 34s count) per annum.

Share In Cloth Production

The share of the decentralised textile sector in the total production of cloth has been steadily growing. This can be seen from the following table.

Table 3.7 showing share in cloth production.

(In Million Metres)

Year	Total cloth production	Production in decentralised sector	Percentage of column 3 to 2
1	2	3	4
1984-85	12014	8582	71
1985-86	12498	9122	73
1986-87	12988	9671	74
1987-88	12992	9965	77
1988-89	13282	10473	79

Source:- AIFCOSPIN ANNUAL, 1989. p.61

The above mentioned table indicates, that the cloth production of the decentralised sector was 8,582

million metres in 1984-85 which has gone up to 10,473 million metres in 1988-89, accounting, an increase of 122.03 per cent.

Handlooms

In India handloom weaving is a traditional craft. Handlooms are spread through out the country in almost every village. They rank next to agriculture in terms of size, income and employment potential. There are over three million handlooms (cotton). They provide employment to about 10 million people on weaving alone. In associate activities such as pre-weaving, post-weaving, etc. a lage number of people are employed. At present about 3381 million metres of cotton cloth is produced on handlooms. It accounts for 37 per cent of the total cotton cloth produced in the country.[6]

State-wise break up of Handloom in India

The state-wise break-up of the handlooms in the country, as estimated by the Office of the Development Commissioner for Handlooms, Government of India, on the basis of census taken by the state governments, is reported as follows.

Table 3.8 shows the state-wise break up of Handloom in India (1989 year).

S. No.	State	No. of Handlooms in lakhs
1.	Andhra Pradesh	5.29
2.	Assam	2.00
3.	Bihar	1.00
4.	Gujarat	0.24
5.	Haryana	0.42
6.	Jammu & Kashmir	0.37
7.	Karnataka	1.03
8.	Kerala	0.95
9.	Madhya Pradesh	0.43
10.	Maharashtra	0.80
11.	Manipur	3.14
12.	Orissa	1.05
13.	Punjab	0.22
14.	Rajasthan	1.44
15.	Tamil Nadu	5.56
16.	Tripura	1.00
17.	Uttar Pradesh	5.09
18.	West Bengal	2.56
19.	Other States/Union Territories	0.37
	TOTAL	32.96*

(* This number excludes domestic looms)

Source:- AIFCOSPIN ANNUAL, 1989. p.63

The foregoing table reveals that Tamil Nadu has the highest number of Handlooms (5.56 lakhs) followed by Andhra Pradesh (5.29 lakhs) and Uttar Pradesh (5.09 lakhs). This shows that Handloom industry is mainly concentrated in the aforesaid three states.

Cloth Production

The production of cloth during 1984-85 and 1988-89 can be studied in the table 3.9.

Table 3.9 shows the cloth production in Handloom sector.

Year	Estimated production of handloom cloth (million meters)	Percentage of total production of cloth
1984-85	3.073	34.0
1985-86	3.177	35.0
1986-87	3.466	35.8
1987-88	3.432	36.5
1988-89	3.381	37.2

Source:- AIFCOSPIN ANNUAL, 1989. p.64

From the foregoing table it can be observed that the production of handloom cloth has increased from 3,073 million metres in 1984-85 to 3.381 million

metres in 1988-89, representing an increase of 110.02 per cent. In terms of percentage the production increased from 34.0 per cent in 1984-85 to 37.2 per cent in 1988-89. This shows a significant increase in the production of handloom cloth.

Area of Production and Yield of Cotton.

The area of production and yield of cotton in India during the last ten years are given in the following table 3.10.

Table 3.10 shows that the area production and yield of cotton in India.

Year	Area under cotton (000 hectare)	Cotton Production (000 bales)	Yield Kg. lint /hectare
1978-79	8119	7930	166
1979-80	8127	8020	168
1980-81	7823	7775	169
1981-82	8057	8400	177
1982-83	7871	8652	187
1983-84	7721	7841	173
1984-85	7437	10707	245
1985-86	7533	11553	261
1986-87	7075	9522	229
1987-88	6471	9000	236

Source:- AIFCOSPIN ANNUAL, 1989. p.36

It can be observed from the above table that the cotton area has declined in recent years. This is partly due to the competition from other oilseed and pulse crops like sunflower, soyabean, red gram etc. and partly due to the inadequacy of rains at the optimum period of sowing cotton. Hence, cotton area is not expected to show any increase in the coming years and it may however be around 7.5 million hectare. Although the area has declined but the cotton production has gone up due to the increase in productivity. However, during 1987-88, there was a significant fall in production which was mainly due to the prevalence of severe drought in several cotton growing States.

Despite the substantial increase in the yield per hectare, even the highest yield level attained in India so far is less than half of the world average. This is attributed to a number of factors. For instance, only 30 per cent of the total cotton area receives irrigation facilities while the rest of the area is rainfed. Since the rainfall is often inadequate or ill-distributed, the yields are adversely affected. Further, the coverage by improved production techniques is limited due to several techno-economic constraints and weaknesses of extension. Even the production and distribution of good quality certified seed is far below the requirements and hardly 15 per cent of the cotton area is now covered by such seed

causing heavy croploss.

It, however, needs to be stressed that technology already exists for raising the cotton yield to much higher levels. This has been proved time and again by the results of demonstration trials conducted on farmers' fields in such trials, it has been found that if all the improved practices are adopted as a package, yields can be further raised by 60 to 80 per cent. It may also be mentioned that although the national average yield is low, in several irrigated tracts, especially those growing hybrid cottons, the average yield obtained is as high as 1200 to 1500 kg. lint per ha.. which is comparable to the highest yield obtained in any other country. It is essential to be pursued more vigorously so that the production can be further stepped up by tapping the available potential and the country's growing needs of cotton in the coming years can be fully met.

Spinning Mills in India

The number of spinning mills in India during the period 1961 to 1988 is shown in the following table 3.11.

Table 3.11 shows the number of spinning mills.

Year	Number of mills	%
1961	192	4.86
1971	373	9.45
1981	442	11.20
1985	702	17.80
1986	741	18.79
1987	741	18.79
1988	752	19.07

Source: Handbook of Statistics on Cotton Textile Industry, Twenty First Edition, p.21

The above mentioned table reveals that the number of spinning mills has increased from 192 in 1961 to 752 in 1988 accounting for an increase of 391.66 per cent In terms of percentage, the number of mills increased from 4.86 per cent in 1961 to 19 per cent in 1988. It is imperative to note that there has been a continuos increase in the number of mills over the years.

Composite Mills in India

The table mentioned below 3.12 shows the composite mills (spinning, Weaving and furnishing under one roof) of India during the period of 1961 to 1988.

Table 3.12 showing the number of composite mills.

Year	Number of mills	%
1961	287	14.42
1971	291	14.62
1981	281	14.12
1985	282	14.17
1986	283	14.22
1987	283	14.22
1988	283	14.22

Source:- Handbook of Statistics on Cotton Textile Industry, Twenty First Edition, p.21

The above said table reveals that the number of composite mills has decreased from 287 in 1961 to 283 in 1988. In terms of percentage the number of composite mills decreased from 14.42 per cent in 1961 to 14.22 per cent in 1988. This analysis shows that there has been a very marginal decline in the number of composite mills in India.

Spindles Installed in Cotton Textile Mills of India

The following table 3.13 shows the number of spindles installed in India during the year 1961 to 1988.

Year	Number of Spindles	%
1961	13.66	8.58
1971	17.89	11.24
1981	21.78	13.68
1985	25.57	16.07
1986	26.02	16.35
1987	26.12	16.41
1988	28.07	17.64

Source:- Handbook of Statistics on Cotton Textile Industry, Twenty First Edition, p.21

From the above mentioned table it can be seen that there has been a continuos increase in the the installation of spindles which reflects two fold increase from 8.58 per cent in 1961 to 17.64 per cent. Thus, it can be said that the Government has created an infrastructure for the growth and development of textile sector in the country.

Daily Average Spindles Worked

The table mentioned below indicates the working of spindles in different shifts in cotton textile mills of India.

Table 3.14 shows the working of spindles in India.

Year	1st Shift	2nd Shift	3rd Shift
1961	12.09	11.89	7.32
1971	13.39	13.44	11.50
1981	16.65	16.95	16.61
1985	18.00	18.30	17.05
1986	18.68	18.94	17.75
1987	19.83	20.11	18.72
1988	19.31	19.59	18.23
	117.93	119.22	107.18

Source:- Handbook of Statistics on Cotton Textile Industry, Twenty First Edition, p.21

The above mentioned table reveals that in 1961 the spindles of Ist shift worked more than the IInd shifts and IIIrd Shift. But from 1971 to 1988 the spindles of IInd shift worked more than the Ist shifts and IIIrd Shifts. From this analysis it can be concluded that the efficiency of spindles in the IInd shift was more than the other two shifts after 1971.

Looms Installed in Cotton Textile Mills of India

The looms installed in India during the period 1961 to 1988 can be seen from the folowing table 3.15.

Table 3.15 showing the number of looms.

Year	Number of Looms	%
1961	199	13.79
1971	208	14.42
1981	210	14.56
1985	210	14.56
1986	208	14.42
1987	208	14.42
1988	199	13.80

Source:- Handbook of Statistics on Cotton Textile Industry, Twenty First Edition, p.21

The foregoing table shows that the number of looms increased from 199 in 1961 to 208 in 1987 and declined to 199 in 1988. There was a slight fluctuation in the number of looms during the period 1971 to 1988.

Daily Average Looms Worked (000 nos.)

The below table 3.16 shows the working of looms per day.

Table 3.16 showing working of looms per day.

Year	1st Shift	2nd Shift	3rd Shift
1961	188.0	176.4	51.3
1971	167.4	162.9	76.6
1981	175.0	172.0	140.0
1985	147.0	145.0	102.0
1986	144.0	141.0	100.0
1987	134.0	132.0	94.0
1988	124.0	122.0	87.0
Total	1079.4	1051.3	650.9

Source:- Handbook of Statistics on Cotton Textile Industry, Twenty First Edition, p.21

The above said table reveals that the daily average of looms worked in the first shift came down from 188 thousand, in 1961 to 124 thousand in 1988. In second shift the average of working looms came down from 176 thousands in 1961 to 122 thousands in 1988 but in the third shift the trend was different, average working looms increased from 51 thousands in 1961 to 87 thousands in 1988. Hence, it can be said that third shift was more productive.

Cotton Consumed (000 Tonnes)

The table 3.17 shows the cotton consumed in cotton textile mills of India during 1961 to 1988.

Table 3.17 showing the cotton consumption in cotton textile mills.

Year	Cotton	Other Fibres	Total Fibres	%
	1	2	3	4
1961	1001.30	N.A	1001.3	9.49
1971	1058.80	84.20	1143.00	10.84
1981	1260.40	105.60	1466.00	13.90
1985	1565.00	181.50	1746.50	16.56
1986	1571.10	179.30	1750.40	16.60
1987	1680.80	209.90	1890.70	17.93
1988	1344.02	201.40	1545.42	14.65

Source:- Handbook of Statistics on Cotton Textile Industry, Twenty First Edition, p.21

The above mentioned table reveals that the consumption of cotton has increased from 1001.30 thousand tons in 1961 to 1344.02 thousand tons in 1988, indicating an increase of 134.22 per cent. Likewise, the consumption of total fibres went up from 1001.30 thousand tons in 1961 to 1545.42 thousand tons in 1988 representing an increase of 154.34 per cent.

Thus, it can be said that due to growth in textile sector the consumption of fibres went up during the period of two decades.

Production of Yarn

The following table shows the production of yarn in cotton textile mills of India during the years 1961 to 1988.

Table 3.18 showing the production of yarn in cotton textile mills.

(in M.Kgs.)

Year	Cotton Yarn	Blended	Filament	Total	%
1961	862.00	21.99	23.47	907.46	9.27
1971	881.00	99.00	49.32	1029.32	10.55
1981	1015.00	268.00	78.56	1361.56	13.96
1985	1260.53	183.69	142.06	1586.28	16.26
1986	1257.21	230.73	160.83	1648.77	16.90
1987	1347.74	231.47	180.39	1759.60	18.03
1988	1073.41	208.48	180.00	1461.89	14.99

Source:- Handbook of Statistics on Cotton Textile Industry, Twenty First Edition, p.21

The above mentioned table shows the production of cotton yarn has increased from 862.00 million Kgs in 1961 to 1073.41 million Kgs. in 1988, indicating an over all increase of 124.52 percent. The

total production of yarn has gone up from 907.46 million Kgs in 1961 to 1461.89 million Kgs in 1988 accounting an increase of 161.09 per cent.

Production of Mill Made Cloth

The following table shows the production of mill made cloth during the year 1961 to 1988.

Table 3.19 showing the production of mill made cloth and decentralised mills.

Year	Mill-Made	Decentralised Mills	Total	%
1961	4701	2372	7073	9.29
1971	4107	4470	8577	11.28
1981	4073	4073	11145	14.65
1985	3411	9016	12427	16.34
1986	3337	9438	12775	16.79
1987	3114	10003	13117	17.25
1988	2396	8544	10940	14.38

Source:- Handbook of Statistics on Cotton Textile Industry, Twenty First Edition, p.21

From the table 3.19, it is evident that the mill made cloth has gone down from 4701 million metres in 1961 to 2396 million metres in 1988, representing an over all decrease of 50 per cent. In decentralised mills production of cloth increased from 2372 million

meters in 1961 to 10003 million meters in 1987 showing an overall rise of 421.27 per cent. The total production of cloth has gone up from 7073 million metres in 1961 to 13117 million metres in 1987, accounting an increase of 185.45 per cent.

From the above analysis it can be concluded that the production of cloth in decentralised sector has increased significantly compared to mill made sector.

Exports Of Cotton Cloth

The table 3.20 shows the exports of cotton cloth of India to different countries during the period 1961 to 1988.

Table 3.20 shows exports of cotton cloth.

(in Rs. Crores)

Year	Cotton Cloth	%
1961	60.10	63.36
1971	126.34	1.33
1981	958.49	7.99
1985	1522.00	16.04
1986	1654.00	17.43
1987	2694.00	28.39
1988	2472.00	26.05

Source:- Handbook of Statistics on Cotton Textile Industry, Twenty First Edition, p.21

The above said table indicates that export of cotton from India has mounted up from Rs. 60.10 crores in 1961 to Rs.2472.00 crores in 1988, recording an increase of 412 per cent. This leads to a conclusion that export of cloth has shown a tremendous increase.

Number of Mills and Spindles Installed in Different States.

The following table 3.21 shows the number of mills and installed spindles in different states of the country.

Table 3.21 shows State-wise Cotton textile Mills in India.

State/zone	Number of Mills			Installed spindle (in thousands)		
	Spinning	Composite	Total	Spinning	Composite	Total
1	2	3	4	5	6	7
Andhra Pradesh	59	2	61	1311	76	1387
Assam	4	-	4	89	-	89
Bihar	4	2	6	81	28	109
Gujarat	28	90	118	575	3555	4130
a) Ahmedabad City	4	63	67	72	2591	2663
b) Rest of Gujarat	24	27	51	503	964	1467
Haryana	13	2	15	217	41	258
Jammu & Kashmir	2	-	2	36	-	36
Karnataka	32	12	44	619	467	1086
Kerala	24	5	29	594	102	696
Madhya Pradesh	8	17	25	176	555	731
Tamil Nadu	428	23	451	6454	1150	7604
a) Coimbatore	188	15	203	2635	639	3274
b) Rest of Tamil Nadu	240	8	248	3819	511	4330
Maharashtra	44	79	123	1148	4016	5164
a) Bombay	1	53	54	56	3138	3194
b) Rest of Maharashtra	43	26	69	1092	878	1970
Orissa	12	1	13	274	59	333
Punjab	19	2	21	494	79	573
Rajasthan	26	8	34	590	234	824
Uttar Pradesh	35	15	50	1007	695	1702
a) Kanpur	-	10	10	-	511	511
b)Rest of U.P.	35	5	40	1007	184	1191
West Bengal	24	18	42	606	611	1217
Delhi	-	4	4	-	166	166
Pondicherry	3	3	6	35	105	190
Goa	1	-	1	26	-	26
Himachal Pradesh	4	-	4	74	-	74
Manipur	1	-	1	16	-	16
Total	771	283	1054	14472	11939	26411

Source:- AIFCOSPIN ANNUAL, 1989. p.296

The afore said table reveals that out of 1054 spinning mills in all the states of the Country, 451 mills were in Tamil Nadu followed by Maharashtra with 123 mills. Like wise, installed spindles were also highest in Tamil Nadu (7604) followed by Maharashtra

(5164) thousands.

From this facts it can be concluded that cotton textile industry is mainly concentrated in Tamil Nadu and Maharashtra i.e. 7604 installed spindles and 5164 thousand installed spindles respectively.

Average Spindle Activity On Cotton and Man-made Fibres Including Blends

The below table 3.22 shows the average spindles activiy on Cotton, Man-made fibres and Blends in cotton textile mills of India.

Table 3.22 showing spindle activities on cotton, man-made fibres and blends

Year	Avrage installed spindles (in millions)			Daily average spindles worked on cotton man-made fibres & blends			Percentage of total spindles worked to installed spindles		
	Spinning mills	Composite mills	Total	Ist shift	IInd shift	IIIrd shift	Ist shift	IInd shift	IIIrd shift
1	2	3	4	5	6	7	8	9	10
1976	7.25	12.45	19.70	15.10	15.28	14.01	76.6	77.6	71.1
1977	7.32	12.36	19.68	15.22	15.38	13.95	77.3	78.2	70.9
1978	7.57	12.35	19.92	15.47	16.27	15.20	77.7	81.7	76.3
1979	7.99	12.47	20.46	16.11	16.51	15.96	78.7	80.7	78.0
1980	8.34	12.56	20.90	16.01	16.04	15.96	76.6	76.7	76.4
1981	9.13	12.38	21.51	16.65	16.95	16.61	77.4	78.8	77.2
1982	9.95	12.40	22.35	14.44	14.55	14.35	64.6	65.1	64.2
1983	10.93	12.43	23.36	15.76	15.96	15.22	67.5	68.3	65.2
1984	11.86	12.43	24.29	16.93	17.16	15.98	69.6	70.6	65.8
1985	12.07	12.43	24.50	18.00	18.30	17.05	73.5	74.7	70.0
1986*	N.A.	N.A.	25.33	18.68	18.94	17.75	73.7	74.8	70.1
1987*	N.A.	N.A.	26.07	19.83	20.11	18.72	70.1	77.1	71.8
1988*	16.17	11.90	28.07	19.31	19.59	18.23	68.8	69.8	64.9

Source:- AIFCOSPIN ANNUAL 1989. p.
* Figures are estimated
NA: Not Available

The above table reveals that the total average spindles has increased from 19.70 millions in 1976 to 28.07 millions in 1988. But the percentage of total

spindles worked to installed has come down from 71.1 per ce in 1976 to 64.9 per cent in 1988.

Production, Consumption and Deliveries of Cotton Yarn

The below mentioned table 3.23 showing poduction, consumption and deliveries of cotton yarn in India during the year 1975 to 1988.

Table 3.23 Showing Production, Consumption and Deliveries of Cotton Yarn.

Year	Spindle Point Production			Consumed in Mills			Free Yarn availability (4 -7)	Deliveries for	
	Spg. Mills	Composite Mills	Total	For Weaving	For other manufactures*	Total		Civil consumption	Exports
1	2	3	4	5	6	7	8	9	10
1975	333	656	989	513	16	529	460	438	3
1976	345	661	1006	523	18	541	465	449	15
1977	310	536	846	411	21	432	414	405	12
1978	332	580	912	432	23	455	457	449	5
1979	354	598	952	452	20	472	480	485	6
1980	411	647	1058	478	20	498	560	555	7
1981	437	578	1015	426	17	443	572	565	6
1982	511	447	958	317	15	332	626	632	6
1983	567	525	1092	364	11	375	717	699	7
1984	610	541	1151	358	12	370	781	764	10
1985	668	593	1261	371	12	383	878	865	10
1986	-	-	1257	342	12	354	903	877	17
1987	-	-	1348	321	12	333	1015	925	86
1988@	-	-	1073	242	10	252	821	778	36

@ Figures are estimated
* Such as hosiery, sewing thread and tyrecord.

From the above table consumption and deliveries of cotton yarn can be studied. It is evident from the table that toal spindle joint production has gone up from 989 in 1975 to 1073 in

1988, recording an increase of 92.1 per cent. On the other hand, the consumption of cotton yarn has declined from 529 million Kgs in 1975 to 252 million kgs in 1988 reperesenting a decline of 209.9 per cent. the availability of free yarn went up from 460 million Kgs in 1975 to 821 million Kgs in 1988 as an increase of 56.0 per cent. Likewise, the delivering of civil export consumption jumped up from 430 million Kgs in 1975 to 778 million Kgs in 1988 i.e. a record increase of 55.2 per cent.

Conclusion

From the foregoing discussion it can be concluded that after Independance, especially after Partition, the textile industry was badly affected due to acute shortage of raw material because 30 per cent of cotton growing area went to Pakistan. Inspite of this fact, the organised had 1056 textile mills out of which 733 were spinning mills and 283 composite mills which consist of handloom and powerloom.

At the end of the year 1988-89 there were 9.18 lakhs powerlooms and 33.04 lakhs handlooms. Out of 9.18 lakhs powerlooms, 5.27 lakhs were working on cotton of this 3.26 lakhs looms were in Maharashtra and 2.06 lakhs were in Gujrat. These powerlooms produced over 3680 million metres of cotton cloth per annum at the end of year 1988-89, which constituted 41 per cent

of total quantity of cotton cloth produced in the country. Majority of looms do not function strictly on standard shift basis. Thus, the capacity of production was under utilisation of the total investment in textile industry (Rs.1500 crore), the share of powerloom was Rs. 300 crores.

In decentraslised sector, there were 33.04 lakhs handlooms and nearly 9.18 lakhs were cotton handlooms. The handloom industry provide employment to nearly 10 million people and an equal number of people are employed in its auxillary activities. The capital investment in this sector was estimated to be of the order of Rs. 150 crores. TThe total production of handloom cloth has increased from 8582 million metres in 1984-85 to 10473 million metres in 1988-89, accounting an increase of 122.03 per cent. The highest number of handloom i.e. 5.56 lakhs were in Tamil Nadu followed by Andhra Pradesh (5.29 lakhs) and Uttar Pradesh (5.09 lakhs). From this fact it can be said that handloom industry is mainly concentrated in Tamil Nadu, Andhra Pradesh and Uttar Pradesh with the increase in the capital investment a number of mills, the consumption of cotton has also gone up from 1001.30 thousands tons in 1961 to 1344.02 thousands tons in 1988-89, recording an increase of 134.72 per cent. The consumption of fibre has also increased during the last two decade due to diverse growth and development of

textile sector.

The production of yarn has gone up from 907 million kgs in 1966 to 1461.89 million Kgs in 1988, with an increase of 161.08 per cent. As far as the production of mill made cotton is concerned, it has increased from 7073 million metres in 1961 to 10940 million metres in 1988, an increase of 154.67 per cent. Likewise the export went up from Rs. 60 crores in 1961 to 2472 crores in 1988, recording an increase of 412 per cent. The study has revealed that Tamil Nadu and Maharashtra having highest number of mills in the country. These states have 451 and 123 mills respectively. Likewise, installed spindles are also highest in Tamil Nadu and Maharashtra i.e., 7604 and 5164 thousands installed spindles respectively.

Thus, to sum up, it can be highlighted that during the last decade the textile sector has got a favourable environment for its growth and development. The Government, financial institutions and other coordinating agencies are paying their due attention for its growth because, the textile industry has become a vital sector of the economy.

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Chapter IV

PERFORMANCE OF SICK COTTON TEXTILE MILLS IN UTTAR PRADESH - An Analysis

The critical situation faced by the cotton textile industry during the recent past is well known. the crises before the industry has been the worst ever in its long and glorious history. Although this has been the mother industry of the country which ushered in the era of industrial growth, it is now itself experiencing a precarious existence. It has been suffereing from the chronic industrial sickness and is indeed fighting a grim battle for its future survival.

The industry in the state of Uttar Pradesh and more particularly at Kanpur has been in a specialy disadvantageous position as compared to its counterpart in other states.

The performance of the sick cotton mills of Uttar Pradesh has been discussed in detail in the following pages.

ATHERTON MILLS

The Atherton Mills was established in the year 1920 and was taken over by National Textile Corporation on 19th July, 1976. The concern is a composite mill and works in two shifts. The total number of workers on the roll in January, 1985 was 2530 out of which 1777 were parmanent , 562 substitute and 191 temporary employees.

The number of spindles installed in the concern is 39680 out of which 34168 are working. The number of looms installed are 898 plain and only 697 looms are working.

The average production of yarn is 4116 Kg. and the production of cloth 36063 meters per day. The total out-put of cloth in 1985 was 1013809 yards valued at Rs. 5528218/-.

Raw material consumed ,income from sale proceeds and position of profit and loss

The details of the value and raw material consumed and income from sale proceeds for last seven years along with profit and loss account for aforesaid period is as below ;

Table 4.1 showing the consumption of Raw Material, Income and Profit and Loss of the Atherton Mills

Year	Raw material consumed	Income from Sale proceeds	Profit/Loss
1979-80	90.85	354.13	(-) 74.54
1980-81	115.26	273.74	(-) 215.05
1981-82	168.73	414.07	(-) 297.60
1982-83	167.92	349.30	(-) 364.23
1983-84	198.05	585.16	(-) 450.55
1984-85	265.82	516.84	(-) 509.81
1985-86	264.57	621.86	(-) 535.53
Total	1271.20	3115.10	(-)2447.37

Source : Subsidiary of The Employers Association of Nothern India, Kanpur. p. 235

From the above mentioned table it can be observed that consumption of raw material, has gone up from Rs.90.85 lakhs in 1979-80 to 264.57 lakhs in 1985-86 showing an overall increase of 34.3 per cent. The increase from sale rose from Rs. 354.13 lakhs in 1979-80 to Rs.621.86 lakhs in 1985-86 accounting an increase of 56.9 per cent. Inspite of the increase in income the mill is incurring losses. There has been continuos increase in loss. In 1979-80 the loss was Rs.74.54 lakhs which rose to Rs. 535.53 lakhs in 1985-86. This shows that the mill is facing financial constraints due to loss. This needs an immediate

attention of the management to rehabilitate the condition of mill should take immediate steps to find out the reasons of losses.

Expenditure of Atherton Mills

The details of expenditure in terms of percentage and value under various heads of cost for the years 1975-76, 1980-81 and 1985-86 can be studied from the following table.

Table 4.2 showing the expenditure of Atherton cotton Mills Ltd. during 1975-85.

Items	1975		1980-81		1984-85	
	Value	%	Value	%	Value	%
Raw material	15.74	27.15	115.26	20.56	264.57	23.26
Salaries & wages	27.71	47.80	191.10	34.09	378.37	33.26
Stores & Spares	3.78	6.52	57.81	10.32	60.20	5.29
Fuel & Electricity	2.34	4.04	37.48	6.69	81.33	7.15
Admnistrative Exp	4.23	7.30	78.94	14.08	67.57	5.94
Interest	4.07	7.02	77.14	13.76	276.26	24.29
Misc Exp.	0.10	0.1	2.80	0.50	9.25	0.81
Total	57.97	100	560.53	100	1137.55	100

Source : Subsidiary of The Employers Association of Nothern India, Kanpur. p. 236

The above table explains the expenditure and its percentage under various heads in which the maximum expenditure is on raw material (cotton) followed by salary and wages for the year, 1975-76, 1980-81 and 1985-86 respectively.

New Victoria Mills

New Victoria Mills was established in 1924 by the private management and was taken over by National Textile Corporation from 1st April, 1974. It is a composite mill having 4255 workers on roll on January 1, 1985. The comparative figure for December 1975 was 4424. The total number of spindles installed is 52820, out of which 49440 are working. (29448 on warp count and 19992 on weft count). The count range is 18^5 to 36^9 in the mill and average count for the mill is 26^5 warp and 32^5 weft. The total number of looms installed in the mill were 1197. Out of which 1101 are plain and 96 are Auto looms. The average production of yarn in the mill is 8115 Kg. per day and the production of cloth is 62400 meters per day.

The employment of labour in the mill is 11.8 per thousand spindles and 57.9 per hundred looms. There are 105 ring frames installed in the mill. Out of which 10 ring frames are working in single side and rest 95 ring frames are working in double sides (inclusive warp and weft). The total out put of cloth

for the month of June 1986 was 13.41 Lakhs meter valued at Rs. 62.21 Lakhs.

Value of Raw Material Consumed, Income from Sale Proceeds and Position of Profit of New Victoria Mill

The value of raw material consumed (cotton) income from sale proceeds and position of profit and loss during the last seven years has been depicted in the following table.

Table 4.3 showing the raw material consumed, Income from sale proceed and profit of New Victoria mills.

Year	Raw material consumed	Income from Sale proceeds	Profit/Loss
1979-80	256.07	799.22	(-) 125.82
1980-81	270.04	796.51	(-) 153.91
1981-82	463.98	1002.30	(-) 286.46
1982-83	377.21	907.32	(-) 232.79
1983-84	451.63	1022.92	(-) 415.25
1984-85	507.35	1044.65	(-) 560.41
1985-86	424.95	968.63	(-) 500.51
	2851.23	6541.55	(-)2275.15

Source : Subsidiary of the Employers Association of Nothern India, Kanpur. p. 230

The above said table indicates that the consumption of raw material has gone up from Rs. 286.07

lakhs in 1979-80 to Rs. 507.35 lakhs in 1984-85, accounting an increase of 56.38 per cent. But in 1985-86 the consumption of raw material declined to Rs.425.95 lakhs from Rs.507.35 lakhs in 1984-85.

As far as the profit is concerned there has been a continuos loss. In 1979-80 the loss was of Rs. 125.82 lakhs which rose to Rs 500.51 lakhs in 1985-86. From the above analysis, it can therefore, be concluded that due to incurring continuous losses, the Victoria Mill has become sick and needs moderate rehabilitation.

Expenditure of New Victoria Mills

The details of expenditure in terms of percentage and value under various heads of cost for the years 1975-76, 1980-81 and 1985-86 are given in the following table.

Table 4.4 showing the expenditure of New Victoria Mills Ltd during 1975-85

Items	1975		1980-81		1984-85	
	Value	%	Value	%	Value	%
Raw material	250.32	42.08	386.81	36.02	523.62	34.06
Salaries & wages	217.58	36.57	385.21	35.87	551.27	35.86
Stores & Spares	41.78	7.02	82.04	7.64	93.53	6.08
Fuel & Electricity	35.51	5.97	86.56	8.06	150.42	9.79
Adminstrative Exp	10.19	1.70	21.88	2.04	34.85	2.27
Interest	27.06	4.55	63.17	5.88	94.70	6.16
Agent Commision & Freight	2.71	0.47	24.26	2.26	32.63	2.13
Misc Exp.	9.77	1.64	23.85	2.23	56.16	3.65
Total	594.92	100	1073.77	100	1537.18	100

Source : Subsidiary of The Employers Association of Nothern India, Kanpur. pp : 231

SWADESHI COTTON MILLS

Swadeshi Cotton Mills Kanpur, was established in the year 1911 and was taken over by the National Textile Corporation on April 16, 1978. It was nationalised with effect from 1.4.84. It is a composite

mill and the total number of workers on roll on January 1, 1985 was 6288 (including operating clerks and supervisors). Comparative figure for May, 1987 was 6961.

The Labour working in the mill at present, 12.20 workers per thousand spindles and 92.46 per looms. The range of counts is 14^5 to 36^5. The total number of looms (ordinary plain) are 1950 the mill but only 648 are working. The average production of yarn in the mill is 7500 Kg. per day and that of cloth is 50,000 meters per day. The total output of cloth during 1985-86 was 143.58 (lakhs metres).

An idea regarding the raw material consumed and income from sales of cotton yarn and waste and profit loss figures during the last seven years have been given in the following table.

Value of Raw Material, Income from sale proceeds and profit and loss.

The following table gives an account of consumption of raw material, income from sale proceeds and profit and loss of Swadeshi Cotton mills .

Table 4.5 showing the value of raw material consumed, income from sale proceeds and profit and loss of the mills.

Year	Raw material consumed	Sale proceeds	Profit/Loss
1979-80	388.81	1317.52	269.34 (-)
1980-81	564.76	1363.42	276.87 (-)
1981-82	618.66	1319.95	563.05 (-)
1982-83	533.77	1979.97	671.97 (-)
1983-84	489.99	1977.81	920.19(-)
1984-85	357.76	717.81	1406.93(-)
1985-86	402.50	813.95	1667.63(-)
Total	3245.72	7883.11	5780.68

Source : Subsidiary of The Employers Association of Nothern India, Kanpur. p. 237

From the foregoing table it can be observed that consumption of raw material has gone up to Rs.388.81 lakhs in 1979-80 to 402.50 lakhs in 1985-86 registering an overall increase of 96.5 per cent. But the sale proceeds has declined from 1317.52 lakhs in 1979-80 to Rs.813.95 lakhs in 1985-86, showing a decrease of 161.8 per cent. Likewise, the mill has incurred a loss which has increased from 269.34 lakhs in 1979-80 to Rs. 1667.63 lakhs in 1985-86. Thus, due

to incurring loss the mill is sick and the heed of the hour is to rehabilitate the sick mill.

Expenditure of Swadeshi Cotton Mills

The details of expenditure in terms of percentage and value under various heads of cost for the years 1975-76, 1980-81 and 1985-86 have been depicted in the following table.

The following table shows the total expenses of Swadeshi cotton mills in which during the year 1975 and 1980-81 the maximum expenditure was on raw material followed by salary and wages but during 1984-85 the expenses on salary and wages became high followed by raw material.

Table 4.6 showing the expenditure of Swadeshi cotton Mills Ltd during 1975-85.

Items	1975		1980-81		1984-85	
	Value	%	Value	%	Value	%
Raw material	751	46.7	547	35.1	450	21.7
Salaries & wages	372	23.1	497	31.9	760	36.7
Stores & spares	201	12.5	183	11.7	94	4.5
Fuel & Electricity	88	5.5	120	7.7	131	6.3
Adminstrative Exp	13	0.8	10	0.6	12	0.6
Interest	131	8.1	161	10.3	588	28.5
Agent Commision & Freight	16	1.0	7	0.5	5	0.2
Misc Exp.	36	2.3	34	2.2	31	1.5
Total	1608	100	1559	100	2071	100

Source : Subsidiary of The Employers Association of Nothern India, Kanpur. pp : 237

The above table shows the expenditure of Swadeshi Cotton Mills under various item in which maximum expenditure is on raw material (cotton) followed by salary and wages.

Elgin Mills Co.

Elgin Mills consists of two mills. Mill No.1 at Civil Line, & Mill No.2 at Cooper Ganj. Mill No.1 was established in 1964 and Mill No.2 , which was formerly known as Kanpur Cotton Mill was established in 1984. Mill No.1 was earlier under private section with Begg Sutherland and Co. as managing agent and there after it remained with British India Corporation with effect from 16.8.1960. with effect from 11.6.1981, it became a Government Company. It is a composite unit with processing department. Elgin Mill No.2 which was formaly known as Kanpur Cotton Mill was closed in the year 1958 and later on, the Elgin Mills Co. Ltd. purchased this unit in 1960 and renamed it as Elgin Mills Co.Ltd. (Mill No.2). Earlier this Mill was also under private sector, but it became a Government Co. w.e.f. 11.6.1981. The details of Mill No.1 and Mill No.2 are given separtely as under.

Elgin Mill No.1

The total number of workers in Mill No.1 was 5581 as on Jan. 1985 including permanent, temparory and substitute. The corresponding figure for Dec. 1975 was 5716.

The Mill has 48,484 spindles out of

which 47,092 spindles are working. The number of looms installed is 1.194 (plain) and all are working. The Mill works in 3 shifts. The labour emplyoment per thousand spindles is 12.79 and per hundred looms is 52.64. The average total of wages bill per month including fringe benefit comes to Rs.64.43 lacs. The average daily production of yarn is 16,709 kg. and the average daily production of cloth is 80,000 metres.

Elgin Mill No.2

The total number of workers employed in the mill as on Jan. 1985 was 4,907 which includes 3,677 permanent hands, 1,089 substitutes and 142 as temporary. The corresponding figures of total employment in Dec. 1975 was 4,844.

The mill is a composite textile processing and works in 3 shifts. The labour employment per 1000 spindles is 9.27 and per hundred looms is 46.65 and the total wage per bill month including fringe benefit comes to Rs. 61.11 lacs. The average daily production of yarn is 17.844 kg. and average daily production of cloth is 83,700 metres.

Elgin Mills

The accounts of both these companies are

maintanied together. The details of value of raw material(cotton) consumed during last 7 years, the income from sale proceeds as well as the profit and loss during the same period is as under ;

Elgin Mills (No.1 & 2)

The below table representing the value of raw material consumed, income from sale proceed and profit and loss Elgin Mills during the period 1979-80 to 1985-86.

Table 4.7 showing the value of material consumed, income from sale proceed and profit and loss.

Year	: Value of raw material (cotton consumed)	: Income from sale proceeds.	: Profit & loss
1979	936	2688	162 (+)
1980-81 (15 months)	1312	2981	87 (-)
1981-82	1350	2559	583 (-)
1982-83	1149	2501	494 (-)
1983-84	906	2340	799 (-)
1984-85	1156	2242	1101 (-)
1985-86	1383	2999	1039 (-)
Total	8192	18310	(-) 3941

Source : Subsidiary of The Employers Association of Nothern India, Kanpur. p. 222

The above mentioned table shows that there has been no material change in the consumption of cotton accept in the year 1983-84 and the income from sale proceeds does not show any increasing trend. These mills are continuously registering losses since 1980-81 and further it is sad to note that these losses are increasing each year.

Elgin Mill No. 2

The number of cotton bales consumed and production of cloth during the last six years has been given in the following table.

Table 4.8 showing the trend of cotton consumed and production of cloth during the period 1980-81 to 1985-86 in Elgin Mill No.2.

Year	Number of Cotton bales consumed.	Production of cloth in metres.
1980-81 (15 months)	76046	4,97,21,561
1981-82	55836	3,68,18,571
1982-83	54568	3,75,52,163
1983-84	41383	2,96,23,049
1984-85	40871	3,20,09,207
1985-86	59764	4,18,97,154

Source : Subsidiary of the Employers Association of Cotton Mills, Kanpur, p. 25

The above mentioned table shows that there has been a continuous decrease in the consumption of cotton bales since 1980-81 similarly the production of cloth declined from 4,97,21,561 metres in 1980-81 to 3,20,09,207 metres in 1984-85. But in 1985-86 the production of cloth was very high compared to previous years.

This leads to conclusion that the Elgin mills have no future prospects. Therefore the declining trend should be properly watched by the management and the correct step should be adopted to overcome these problems.

Expenditure of Elgin Mills Co. Ltd.

The details of expenditure in terms of percentage and value under various heads of cost for the years 1975-76, 1980-81 and 1985-86 are given in the following table .

The below table showing the expenditure of Elgin Mills No. 1 and No. 2 on various items in which the maximum expenditure is on raw material followed by salaries and wages and the minimum on agent commission for the year 1975-76, 1980-81 and 1984-85.

Table 4.9 showing the expenditure of Elgin mills on various heads.

(Rs. in lakhs)

Items	1975		1980-81		1984-85	
	Value	%	Value	%	Value	%
Raw material	750.03	42.46	1314.80	40.13	1155.64	33.52
Salaries & wages	569.83	32.26	1030.18	31.44	1127.27	32.70
Stores & Spares	182.76	10.35	402.45	12.28	288.17	8.36
Fuel & Electricity	91.23	5.17	269.14	8.21	287.81	8.35
Adminstrative Exp	31.69	1.79	47.24	1.44	50.34	1.46
Interest	68.51	3.88	94.92	2.90	418.80	12.15
Agent Commision & Freight	23.34	1.32	42.50	1.30	37.84	1.10
Misc Exp.	48.87	2.77	75.52	2.30	81.63	2.36
Total	1766.27	100	3276.75	100	3447.50	100

Source : Subsidiary of The Employers Association of Nothern India, Kanpur. p. 234

Production Performance of (Cotton Yarn).

The production of sick cotton textile Mills of Uttar Pradesh during different years can be studied from the following table.

Table 4.10 shows the production performance of six Cotton Yarn in cotton textile mills of U.P.

Name of Mills	Quantity of Production				
	1985-86	1986-87	1987-88	1988-89	1989-90
1.Atherton Mills Kanpur	115.07	102.93	78.69	74.02	NA
2. Bijli Cotton Mills, Hathras.	25.51	23.13	12.08	16.61	17.19
3.New Victoria Mills,Kanpur.	2018.18	179.15	93.68	100.72	86.10
4.Swadeshi Cotton Mills, Kanpur.	99.64	194.15	107.65	148.43	128.83
5.Swadeshi Cotton Mills, Naini.	53.07	49.47	45.64	16.40	41.95
6.The Elgin Mills No.1. Kanpur.	87.26	100.63	88.36	81.02	89.81

Source :- Questionnaire

The above mentioned table shows the production of yarn in six selected sick mills of cotton

textile mills of U.P. during the year 1985-86 to 1989-90. The two mills viz. Bijli Cotton Mills (Hathras) and Swadeshi Cotton Mills (Naini) produce yarn only and, one composite mill produces yarn as well as cloth. The table reveals that the production of Atherton Mill, Kanpur has decreased from 115.07 lakh metres in 1985 to 74.02 lakh metres in 1988, recording a decline of 155.4 per cent. Similarly, the production of B.C.M. (Hathras) came down from 25.51 lakh metres in 1985 to 16.61 lakh metres in 1988 i.e., a fall of 153.5 per cent. Likewise, the production of New Victoria Mill and Swadeshi Cotton Mills of Naini has declined from 53.07 in 1985 to 86.10, 41.95 lakh metres in 1988, registering a decline of 126.5 per cent respectively. Hence, it can be said that due to continuous decline of prodution, these mills fall under the purview of sick mills of the state.

The production of viable mills i.e., Swadeshi Mill, Kanpur and the Elgin Mill, Kanpur, has gone up from 99.64, and 87.26 lakh metres in 1985 to 128.83, and 89.81 in 1989, accounted for an increase of 77.33 per cent and 97.16 per cent respectively.

Therefore, it can be concluded from the analysis of the individual mills that out of the selected sample units, two are economically viable and rest of the three are sick mills of NTC.

Production Performance

The following table showing the production of cloth of four composite mills of U.P.

Table 4.11 shows Production of cloth in Composite Mills of U.P.

Name of Mills	Quantity of Production (in lakh metres)				
	1985-86	1986-87	1987-88	1988-89	1989-90
1).New Victoria Mills Kanpur.	281.18	179.15	93.60	100.72	86.10
2).Atherton Mills Kanpur	110.40	97.71	73.77	69.63	NA
3).Swadeshi Mills Kanpur.	261.58	122.74	896.19	983.19	873.43
4).The Elgin Mills Kanpur.	418.97	445.97	409.17	381.01	416.35

Source:- Questionnaire

The above mentioned table 4.11 reveals the production performance of composite mills of Uttar Pradesh during 1985-86 to 1989-90. It indicates the production of cloths only.

The table shows that the total production of cloth of the New Victoria Mills, Kanpur has come down from 281.18 lakh metres in 1985-86 to 86.10 lakh metres

in 1990 indicating a decrease of 326.5 per cent. Likewise, the production of the Elgin Mills Kanpur declined from 418.97 lakh metres in 1985 to 416.35 lakh metres in 1989-90 respresenting a decrease of 100.6 per cent. But the production of Swadshi Cotton Mills went up from 261.58 lakh metres to 873.43 lakh metres in 1989-90 a record increase of 29.9 per cent. From the above analysis of the four mills of NTC functioning in U.P., the three are sick due to continuous decline in production and only one mill i.e., Swadeshi Mills is viable because its production has increased.

Nature of Ownership

The following table indicating the nature of ownership of different six sick cotton textile mills of Uttar Pradesh.

Table 4.12 showing the forms of ownership of sick cotton Textiles Mills of Uttar Pradesh.

	Form of Ownership	No. of mills	%
1.	Cooperative Society	Nil	-
2.	Partnership	Nil	-
3.	Joint Stock Company	3	50
4.	Public Sector	2	33
5.	Holding Company	1	16.6
	Total	6	

Source :- Questionnaire

The above table shows the form of Ownership of six different sick mills of U.P. from the above table it can be observed that not even a single unit enjoys the Cooperative and partnership forms of ownership. The three cotton mills are in Joint stock Companies and two are in Public sector and one is as Holding Company. Thus, it can be said that majority of mills under survey are in Public sector.

Value of Production

The following table shows the value of production in six sick mills of U.P.

Table 4.13 showing the value of production in sick cotton Textiles Mills of U.P.

Name of Mills	Value (Rs. in lakhs)				
	1985-86	1986-87	1987-88	1988-89	1989-90
1.Atherton Mills Kanpur	613.78	483.10	363.26	568.30	NA
2.New Victoria Mills, Kanpur	870.20	894.94	593.59	548.13	665.71
3.Bijli Cotton Mills	519.44	404.86	334.93	563.49	615.46
4.Swadeshi Cotton Mills, Kanpur.	954.71	861.54	725.98	1021.96	993.25
5.Swadeshi Cotton Mills. Naini.	1508.78	1358.43	618.34	1718.97	2208.13
6.The Elgin Mills No.1. Kanpur.	3447.00	3451.00	3940.00	4606.00	NA

Source:- Questionnaire

The above mentioned table depicts the value of production in six different mills of U.P. As table 4.13 shows the value of production of cotton six different cotton textile mills of U.P. From the foregoing table it can be concluded that the value of

production is fluctuating during the year 1985-86 to 1989-90.

Utilisation of Installed Capacity

The table mentioned below shows the utilisation of installed Capacity in six different mills of U.P.

Table 4.14 showing Utilization of Installed Capacity

Utilisation of Installed Capacity	No.of Mills	%
0 - 20 %	-	
21 - 50 %	1	
51 - 75 %	4	
76 - 100 %	1	

Source :- Questionnaire

The above table shows that out of six selected mills, 4 mills have 51-75 per cent utilisation of installed capacity. While other two units have the installed capacity of 21-50 per cent and 76-100 per cent respectively. On the basis of this analysis, one can conclude that majority of mills have more Utilisation Capacity.

Number of Employees working

The below table showing the number of employees (Officer, Supervisor, Labour, Clerk, and Office staff) working in six cotton textile mills of U.P.

Table 4.15 showing the Number of Employees and its break up.

Name of Mills	No. of Employees					
	Officer	Supervisor	Labour	Clerk	Office staffs	Total
1.Atherton Mills Kanpur	16	73	1999	104	29	2221
2.Bijli Cotton Mills Hathras.	7	18	827	51	14	917
3.New Victoria Mills Kanpur.	41	55	2925	155	41	3217
4.Swadeshi Cotton Mills, Kanpur.	64	98	2974	220	104	3460
5.Swadeshi Cotton Mills. Naini.	5	63	2464	100	48	2680
6.The Elgin Mills Kanpur.	159	250	7660	200	455	8724

Source :- Questionnaire

The above mentioned table shows that the number of employees worked in six different cotton textile mills that includes officers, supervisors, labourers, clerk and office staffs. Further the table

reveals that the Elgin Mills has the highest number of employees i.e. 8724 followed by Swadeshi Cotton Mills, Kanpur. i.e. 3460. The lowest number of employees are in Bijli Cotton Mills, Hathras i.e. 917 only because it is a spinning mills, which produces yarn only.

Amount of Wages and Salaries paid to Employees

The following table shows the Salary and Wages paid to employees during current year in six different mills of U.P.

Table 4.16 showing the Wages and Salaries paid to Employees.

Name of the Mills	Amount of Salary & Wages (Rs.in lakhs)	
	Salary	Wages
Atherton Mills Kanpur	10.18	54.33
Bijli Cotton Mills Hathras	24.67	13.9
New Victoria Mills Kanpur	82.62	434.17
Swadeshi Cotton Mills Naini.	21.58	25.67
Swadeshi Mills Kanpur	140.86	551.48
Elgins Mills No.1 Kanpur	1927.00 (sal + wag)	

Source :- Questionnaire

The above table reveals that the Atherton Mills pay amount of salary and wages of about Rs.10.18 lakhs to their officers and Rs.54.33 lakhs to their labour employees. Likewise, New Victoria Mills pays Rs.82.62 lakhs to officers and 434.17 to labourers, Swadeshi Cotton Mills pay salaries of around Rs.21.5 lakhs and wages of Rs.25.67 lakhs, Elgin Mills pays salraries and wages of Rs.1927 lakhs. Bijli Cotton Mills and Swadshi Mills, Naini pays very less amount of salaries and wages due to spinning mill and the workers are also less.

Working Capital of Cotton Textile Mills.

The below table shows the Working Capital of different mills of U.P.

Table 4.1/ shows Working Capital of the Mills

Name of Mills	Working Capital (Rs. in lakhs)				
	1985-86	1986-87	1987-88	1988-89	1989-90
1.Atherton Mills Kanpur	1768.41	2003.00	2467.60	3146.16	3574.49
2.Bijli Cotton Mills Hathras.	728.15	841.69	975.14	1070.00	1085.08
3.New Victoria Mills Kanpur.	660.52	429.59	340.23	365.57	313.69
4.Swadeshi Cotton Mills, Kanpur.	1019.22	1383.28	1985.61	2789.55	3556.45
5.Swadeshi Cotton Mills Naini	633.18	633.18	633.18	633.19	659.98
6.Elgin Mill No.1. Kanpur	321.10	402.72	368.34	400.97	350.00

Source :- Questionnaire

A close persual of the table shows working capital of the Mills. From the foregoing table one can easily say that in all the above cotton textile mills, the working capital is increasing year by year except in New Victoria Mills, Kanpur. In Elgin Mill there was an increase from 321.01 in 1985-86 to 400.97 in 1988-89 but now it comes down to 350.0 in 1989-90.

Thus, it can be said that most of the cotton

mills under study are showing ascending trend in working capital and other mills are showing a descending trend in working capital.

Borrowed Capital of Cotton Textile Mills

The below mentioned table illustrates the borrowed capital from the banks and different financial institutions during 1985-86 to 1989-90 of six different sick cotton textile mills.

Table 4.18 showing the Borrowed Capital of six cotton textile mills of U.P.

Name of Mills	Borrowed Capital				
	1985-86	1986-87	1987-88	1988-89	1989-90
1.Atherton Mills Kanpur	127.63	120.58	127.76	96.82	78.71
2.Bijli Cotton Mills Hathras.	58.08	43.61	55.71	67.71	47.46
3.New Victoria Mills Kanpur.	3017.60	3393.61	3967.90	4681.08	5272.65
4.Swadeshi Cotton Mills, Kanpur.	-	-	107.98	174.38	152.35
5.Swadeshi Cotton Mills Naini.	-	-	27.25	175.44	42.58

Source :- Questionnaire

The above mentioned table explain the amount

of borrowed capital from bank and financial institutions in six different mills of Uttar Pradesh during the year 1985-86 to 1989-90 from the table 4.18 it can be observed that in all the mills the borrowing capital is decreasing. Thus it can be concluded that year after year, the U.P. Mills were improving their financial conditions with a view to be economicallly viable in future.

Sale Performance

The below mentioned table showing the quantity of the sales in six sick cotton textile mills during the year 1985-86 to 1989-90. .cw10

Table 4.19 shows quantity of sales.

Name of the Mills	Quantity of Sales				
	1985-86	1986-87	1987-88	1988-89	1989-90
1. Atherton Mills Kanpur	564.05	437.15	304.59	485.79	NA
2. Bijli Cotton Mills Hathras.	23.96	25.06	10.75	17.56	18.11
3. New Victoria Mills Kanpur.	183.23	192.12	112.71	100.14	89.12
4. Swadeshi Cotton Mills. Kanpur.	504.05	447.15	304.59	485.79	NA
5. Swadeshi Cotton Mills Naini.	149.76	165.69	157.49	143.19	154.0
6. Elgin Mills No.1. Kanpur	117.82	126.13	956.02	939.36	951.95

Source :- Questionnaire

The above mentioned table 4.19 shows that quantity of sales of six different cotton textile mills of Uttar Pradesh. From the foregoing table it can be easily concluded that the quantity of sale of production is functioning according to their production of cloth and yarn.

Value of Sale Production

The below mentioned table represents the value of sales production of six different cotton textile mills of U.P. during the year 1985-86 to 1989-90.

Table 4.20 shows the value of sales production.

Name of the Mills	Value (Rs. in lakhs)				
	1985-86	1986-87	1987-88	1988-89	1989-90
1.Atherton Mills Kanpur	613.78	483.10	363.26	568.30	NA
2.Bijli Cotton Mills Hathras.	479.68	436.70	271.44	562.42	637.56
3.New Victoria Mills Kanpur.	870.20	894.94	593.39	548.13	665.71
4.Swadeshi Cotton Mills, Kanpur.	786.69	755.66	649.76	777.24	834.57
5.Swadeshi Cotton Mills Naini.	1697.38	1493.66	1339.90	531.00	1689.92
6.Elgin Mills No.1. Kanpur	613.78	483.10	363.26	568.30	NA

Source :- Questionnaire

The above mentioned table 4.20 shows the value of sales production of six different cotton textile mills of Uttar Pradesh during the year 1985-86

to 1989-90. From the foregoing table it can concluded that the value of sales is fluctuating as regard to quantity of sales.

Continuous Losses in Cotton Textile Mills

he below mentioned table showing the year of losses in six different cotton textile mills of U.P

Table 4.21 showing Continuous losses.

Name of the Mills	One year	Two year	Three yearly
Atherton Mills Kanpur			Y
Bijli Cotton Mills Hathras	Since 1979		
New Victoria Mills Kanpur	Since 79-80		
Swadeshi Cotton Mills Naini	-170.67	-314.53	-458.39
Swadeshi Cotton Mills Kanpur	Since 78-79		
The Elgin Mills Kanpur			Y

Source : Questionnaire

The above mentioned table indicates that all the six mills are running into losses since undertaken by the Government in the year 1981. The Atherton Mills, Swadeshi Cotton Mills and New Victoria Mills have been undertaken in the year 1978-79 & Bijli Cotton Mills and New Victoria Cotton Mills in the year 1979-80 by the National Textiles Corporation (NTC). The Elgin

Mills have been undertaken by BTC in the year 1981.

Salaries and Wages paid to workers

The below table indicates the time for salaries and wages to workers of six sick cotton textile mills of U.P.

Table 4.22 showing Salaries and wages paid to the wokers.

Name of the Mills	In time	Little late	As when req
Atherton Mills Kanpur	Y		
Bijli Cotton Mills Hathras	Y		
New Victoria Mills Kanpur	Y		
Swadeshi Cotton Mills Naini	Y		
Swadeshi Cotton Mills Kanpur	Y		
The Elgin Mills Kanpur	Y		

Source: Questionnaire

The above mentioned table 4.22 reveals that all the employees of six cotton Textiles Mills of U.P. are getting their Salaries and Wages in time eventhough they are running in losses.

Requirement of External funds

The below table discuss about the external funds required for sick cotton textile mills from banks and financial institution

Table 4.23 shows the need of External Funds.

Name of the Mills	Some times	Frequently	Not at all
Atherton Mills Kanpur	Y		
Bijli Cotton Mills Hathras		Y	
New Victoria Mills Kanpur			Y
Swadeshi Cotton Mills Naini		Y	
Swadeshi Cotton Mills Kanpur	Y		
The Elgin Mills Kanpur		Y	

Source : Questionnaire

The above mentioned table 4.23 shows the number of unit which needs external funds from different banks and institutions. From the foregoing table one can come to this conclusion that Atherton Mills & Swadeshi Cotton Mills, Kanpur need external funds only some time but Bijli Cotton Mills, Naini & the Elgin Mills No.1. Kanpur need funds frequently. Only New Victoria Mills, Kanpur did not need any external funds. Thus it can be said that majority of mills need external funds frequently.

Conclusion

It has been observed that the textile industry in U.P. and particularly in Kanpur has been witnessed severe industrial sickness as compared to its counterpart in other states of the country. The study has revealed that the consumption of raw material and sale has increased in Atherton mills but the company is incurring losses. The continuous loss is the main reason of the financial constraints of the company. As regards the performance of Victoria mills is concerned, the consumption of raw materials has increased by 56.38 per cent during 1984-85. This company is also earning a continuous losses and this loss has increased to the tune of Rs. 500.51 lakhs in 1985-86. Hence this mill is also subject to rehabilitate.

The consumption of raw materials of Swadeshi mill has increased by 96.5 per cent in 1985-86. But this company also incurred a loss of Rs. 1667.63 lakhs in 1985-86. Therefore, due to huge losses the company has become sick and needs to be rahabilated. The Elgin mills has 48,484 spindles out of which 47,092 spindles are working. 1,194 plain looms have been installed in the company. The average total of wages bill including fringe benefit come to Rs. 64.43 lakhs. The average daily production of yarn is 16,709 kg and the

average daily production of cloth is 80,000 metres.

The Elgin mill No.2 is a composite textile processing and works in three shifts. The labour employment per thousand spindles is 9.27 per looms is 46.65 and the total wage per bill including fringe benefits comes to Rs. 61.11 lakhs. The average daily production of yarns is 17.844 kg and average daily production of cloth is 83,700 metres. The survey of the mill have revealed that there is no material change in the consumption of raw material except in 1983-84 and the income from the sale do not show any increasing trend. These mills have been continuously running in losses since 1980-81 and the loss is increasing year after year. Therefore, it is desirable to note that Elgin mill is a sick unit which needs to rehabilitated.

To conduct the survey of such textile mills six units were selected at non-random basis. The survey revealed that out of these mills, the production of two mills i.e. Swadeshi mills and Elgin mills showing an increasing trend. The total production of cloth of the New Victoria mills has come down from 281.18 lakhs metres in 1985-86 to 86.10 lakh meters in 1990 indicating a decline of 69.37 per cent. Similarly, the production of Elgin mills has decreased from 418.97 lakhs metres in 1985 to 416.33 lakhs metres in 1989-90 representing a decrease of 0.63 per cent.

It is interesting to refer that the production of Swadeshi cotton mills went up from 261.58 lakhs metres to 873.43 lakhs metres in 1989-90 showing an increase of 70.05 per cent. Thus it can be said that out of these N.T.C. mills three spinning mills are sick due to continuous fall in the level of product and the other composite mills can be said viable.

Chapter V

FINANCIAL ANALYSIS OF COTTON TEXTILE MILLS OF U.P.

Finance is the life blood of business. Finance is that administrative area or set of administrative functions in an organisation which relates with the management of cash and credit so that the organisation may have means to carry out its objectives as satisfactorily as possible . All inputs in an enterprise ie., men,material, machines and methods involve an investment of both fixed and working capital which in turn generate a flow of funds.[1]

In the present chapter, an attempt has been made to assess the investment position, the profitability, solvency, liquidity and turnover of sick cotton textile mills of Uttar Pradesh undertaken by National Textile Corporation. The interpretation of the data is based on the ratio analysis.

Financial Ratios As Indicators of Industrial Sickness

Financial statements are multifunctional to meet the needs of several users, both from within and outside the company viz., shareholders, managers, creditors, investors, Government and customers etc. On the basis of the information gained from these financial statements, various decisions in different areas are taken. The varied users are interested in assessing the financial viability of companies which

have been in existence which is usually judged from the profitability, liquidity and solvency position of companies. These aspects are represented by profit or loss,net working capital and net worth respectively. It can be stated that solvency and liquidity are the two vital organs of financial viability of a unit and profitability is its life blood.

The three elements of financial viability are estimated normally from the financial ratios which are mostly computed from the company's balance sheet. A financial ratio is a quotient of two numbers, where both numbers consist of financial statement items. Financial ratios have been used extensively in the past. The usage of financial ratios is justified by the fact that the selection of pertinent material from a plethora of published information is more useful than wide and indiscriminate reading. Financial ratios serve this purpose by reducing the size of data disclosed in financial statements to a relatively small set of readily comprehended and economically meaningful indicators. Laurent has stated that "In principle, the justification for employing financial ratio analysis to investigate a company's financial state is highly defensible. There are certain normative relationships existing between different financial components of a company as displayed in the balance sheet and revenue and appropriation account. The extent to which a

company does or does not confirm to these norms for the activities (industry) that it is engaged in, is indicative of something favourable or unfavourable, depending upon relationship being examined".[2]

If the actual relationship exhibits a significant departure from the normative relationship it acts as a precursor of some event in future. The prediction of future event is of great interest to the varied users of financial statements since prediction is necessary and prior condition for decisionmaking. The predictive capability of financial ratios has assumed great importance in the past few years that it is now used as a criterion for judging the usefulness of ratios. The predictive capability as a criterion for judging the usefulness of financial ratios is generally justified by the fact that it circumvents the enormity of task required for a complete specification of decision settings.

Financial ratios can be classified into four major groups :

1. Solvency ratios
2. Liquidity ratios
3. Turnover ratios
4. Profitability ratios

This classification depicts different economic aspects of the company's operations. This is

oriented to the needs of users. Investors are mainly concerned with profitability ratios, lenders with solvency ratios and shareholders and the management with all of these type of ratios.

In order to assess the financial performance of sick cotton textile mills of U.P., the help of the above ratio has been taken. The ratios (except profitability ratio)have been calculated with the help of relevant data gathered from the Annual Reports of National Textile Corporation (NTC) Kanpur. These data are presented in the following table.

Table 5.1 showing the summary of Balance Sheet of N.T.C

Data	1988-89	1887-88	1986-87
Total Tangible assets:	8475.05	7732.48	7747.03
Long Term Debt :	21852.92	18169.45	15649.70
Total Debt :	22421.44	10824.30	16089.01
Net Worth :	4094.21	3887.59	3662.59
Current Assets :	6716.19	5878.86	5697.26
Quick Assets :	3821.63	3124.63	3142.58
Current Liabilities :	3591.93	3485.01	3061.69
Cash :	681.03	234.15	195.44
Net Sales :	7320.12	4877.27	6242.08
Debtors :	406.81	476.76	485.58
Inventory :	7320.12	4877.27	6242.08
Fixed Assets :	1375.30	1462.71	1656.28

1. Solvency Ratios

The main objective of long-term solvency ratios is to indicate the company's ability to meet its long-term obligations with regard to (a) periodic payment of interest during the period of the loan and (b) repayment of principal on maturity or in predetermined instalments when due. These measures stress the long run financial and operating structure of a company.

Some of these ratios are :

(1) Total tangible assets to long-term debts

(2) Total tangible assets to total debts

(3) Net worth to total debts

(4) Net worth to long-term debts

To judge the solvency of sick cotton textile mills of N.T.C., solvency ratios have been calculated in the following tables.

Total Tangible Assets to Long Term Debts

Table 5.2 indicates that the total tangible assets to long term debts has been decreasing from 0.49:1 in 1986-87 to 0.42:1 in 1987-88 and 0.39:1 in 1988-89. This leads to a conclusion that total tangible assets are less than the long term debts and are not equal to the standard norm of 1:1. Thus it can be said

that the cotton textile mills of N.T.C are in it position.

Table 5.2 Shows the total tangible assets to long term debts.

Year	Total tangible assets	Long term debts	Ratio
1986-87	7747.03	15649.70	0.49:1
1987-88	7732.48	18169.45	0.42
1988-89	8475.05	21852.92	0.39:1

$$\frac{\text{Total Tangible Assets}}{\text{Long-term Debt}}$$

Total Tangible assets to Total debts

Table 5.3 shows that the total tangible assets to total debts has increased from 0.49:1 in 1986-87 to 0.71:1 in 1987-88 but it came down to 0.38:1 in 1988-89. The reason for the increase in 1987-88 is that the debts were less than the other years. From this analyses it can be concluded that the position of mill is not sound except in 1987-88.

Table 5.3 shows the total tangible assets to total debts.

Year	Total tangible assets	Total debts	Ratio
1986-87	7747.03	16089.01	0.49:1
1987-88	7732.48	10824.30	0.71:1
1988-89	8475.05	22421.44	0.38:1

$$\frac{\text{Total Tangible Assets}}{\text{Total debts}}$$

Net Worth to total debts.

In table 5.4, net worth to debts has been calculated which shows that net worth to total debts has gone down in 1986-87 from 0.23:1 to 0.21:1 in 1987-88 and 0.19:1 in 1988-89.This is an indication of sickness.

Table 5.4 shows the Net Worth to Total Debt

Year	Net Worth	Total debts	Ratio
1986-87	3662.59	16089.01	0.23:1
1987-88	3887.59	10824.30	0.21:1
1988-89	4074.21	22421.44	0.19:1

$$\frac{\text{Net Worth}}{\text{Total Debt}}$$

Net Worth to Long Term Debt

In table 5.5, Net worth to long term debts of sick cotton mills has been calculated. The table shows that net worth to long term debts has increased from 0.19: 1 in 1986-87 to 0.22:1 in 1987-88 and 0.24:1 in 1988-89. This shows that these ratio are not equal to the standard ratio.

Table 5.5 shows the Net Worth to Long Term debts

Year	Net Worth	Long Term debts	Ratio
1986-87	3662.59	15649.70	0.19:1
1987-88	3887.59	18169.45	0.22:1
1988-89	4074.21	21852.92	0.24:1

$$\frac{\text{Net Worth}}{\text{Long Term debts}}$$

2. Liquidity Ratios

The degree to which a company meets its current obligations is a measure of its short term liquidity. The general objective of lquidity ratio is to indicate the companies ability to meet its short term financial obligations. Liquidity measures are believed to be of prime interest to short term lenders such as banks and merchantile suppliers . Some of the ratio included in this category are ;

1) Current assets to current liabilities

2) Quick assets to total tangibles Assets

3) Current Assets to Total tangible assets

4) Cash to current liabilities

5) Quick assets to current liabilities

Current assets To Current Liabilities

The current ratio is an important test by which the financial health of a unit with reasonable reliability can be judged. The current ratio is also called as working capital ratio as it measures the working capital available at a time. The term current assets generally refers to those assets which change in their form and substance in the normal course of business operations and are ultimately realised in cash during the course of a year. As such the relationship of current assets and current liabilities is very significant.

The current liabilities include the sundry creditors, bills payable, bank overdrafts and other outstanding expenses. The current assets comprise cash , bills recievable, sundry debtsers, investments and stocks of finished goods. It can be calculated by dividing current assets by current liabilities. It is shown as,

$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

The failure of a unit to meet its obligations due to lack of sufficient liquidity, will result in bad credit, loss of creditors confidence and even legal suit resulting in closure of the Units. The standard current ratio is 2:1 which refers to Rs. 2 worth of current assets should be available to meet Rs. 1 worth of current Liabilities. The logic behind this norm is that in a worst situation even if the value of current assets becomes half, the firm will be able to meet its obligation. (The following table exhibits the ratio of current assets to current current liabilities).

Table 5.6 showing current assets to current liabilities

Year	Current assets	Current liabilities	Ratio
1986-87	5697.26	3591.93	1.87:1
1987-88	5878.86	3485.01	1.68:1
1988-89	6716.19	3591.93	1.87:1

Table 5.6 shows that current assets to current liabilities during the period 1986-87, 87-88 and 88-89 were 1.87:1, 1.68:1 and 1.87:1 respectively. The preceding three years ratios are less than the suggested standard of 2:1. This shows that liquidity position of cotton textile mills is not good which is an indicator of sickness.

Current Assets to Total tangible Assets.

The table 5.7 depicts the current Assets to total tangible assets during the year 1986-87, 87-88 and 88-89, when are 0.74:1, 0.77:1 and 0.79:1 respectively. The preceding three years ratios were less than the suggested standard of 1:1 . This shows that the liquidity position of cotton textile mills of N.T.C. is not sound.

Table 5.7 depicts the current assets to total tangible assets.

Year	Current Asset	Total tangible assets	Ratio
1986-87	5697.26	7747.03	0.74:1
1987-88	5878.86	7732.48	0.77:1
1988-89	6716.19	8475.05	0.79:1

$$\frac{\text{Current assets}}{\text{Total tangible assets}}$$

Quick Assets to Total Tangible Assets

The table 5.8 explains that the quick assets to total tangible assets of the cotton textile mills of N.T.C has increased from 0.74:1 in 1986-87 to 0.79:1 in 1988-89 but it is not equal to the standard norms. Thus it can be said that the quick assets are less than the total tangible assets.

Table 5.8 highlights the Quick assets to Total tangible assets.

Year	Quick assets	Total tangible assets	Ratio
1986-87	3142.58	7747.03	0.74:1
1987-88	3124.63	7732.48	0.77:1
1988-89	3821.63	8475.05	0.79:1

$$\frac{\text{Quick assets}}{\text{Total Tangible assets}}$$

Cash to Current liabilities

The table 5.9 reveals that the cash to current liabilities during the year 1986-87, 87-88 and 88-89, were 0.91:1, 0.07:1 and 0.19:1 respectively. This shows that the ratio were less than the standard ratios which indicates that N.T.C's liquidity position is not good which results sickness.

Table 5.9 explains the cash to current liabilities.

Year	Cash	Current liabilities	Ratio
1986-87	195.44	3591.93	0.19:1
1987-88	234.15	3485.01	0.07:1
1988-89	681.03	3591.93	0.19:1

$$\frac{\text{Cash}}{\text{Current liabilities}}$$

Acid Test Ratio or Quick Ratio

Acid test or quick ratio is a more severe and stringent test of the unit, ability to meet current obligations. The ratio establishes a relationship between quick or liquid assets and current liabilities. An asset is considered liquid if it can be converted into cash immediatetly without a loss of value .Liquid assets include 'cash, book debtss including bills recieveable and marketable securities. Inventories are not considered to be liquid assets because normally they take sometime for converting into cash. The quick ratio is found out by dividing the total of the quick assets by total of current liabilities. It is shown as

$$\frac{\text{Quick assets}}{\text{current liabilities}}$$

Generally a quick ratio of 1:1 is considered to be satisfactory. This means that for every rupee of current liabilities, there must be a rupee of Quick Assets. The same has been calculated in the following table.

Table 5.10 shows the Quick assets to Current Libilities

Year	Quick assets	Current liabilities	Ratio
1986-87	3142.58	3591.93	1.03:1
1987-88	3124.63	3485.01	0.89:1
1988-89	3821.63	3591.93	1.07:1

It is evident from the table 5.10 that the acid test ratio is satisfactory . The units are keeping high quick assets against the required current ıbilities except in the year 1987-88.

. Turn-over Ratios

Turn over ratio usually consists of the sales figure in the numerator and the balance of an asset (e.g inventory, debtors etc.) in the denominator. The objective of these measures is to indicate the various aspects of operational efficiency. Thus, somtimes these ratios are also called efficiency ratios. The efficiency with which the assets are used would be reflected in the speed and rapidity with which these are converted into sales. Attention is focussed here on specific assets rather than on the overall efficiency of assets utilisation measured by the profitability ratio . Following are some widely used turnover ratios.

1) Net sales to working capital
2) Net sales to quick assets
3) Net Sales to current assets
4) Net sales to Net worth
5) Net sales to fixed assets
6) Net sales to Total Tangible Assets

Sales to Working Capital

This ratio is a measure of the efficiency of the employment of working capital . If supplemented with the ratio of net sales to net worth it indicates the presence of under capitalisation or over trading position of the concern. Normally for handling any desireable amount of sales certain proportion of working capital is required. If too much investment is made in a fixed assets than the working capital will be inadequate to handle that volume of sales. In order to affect the desired amount of sales in such a situation current liabilities will have to be incurred. The aim should be to set up an ideal ratio showing an appropriate relationship between the amounts of working capital and net sales.

This ratio is calculated by dividing the figure of net sales by current assets minus current liabilities .In the absence of any authoritative standard ratio it is not possible to suggest any ratio for serving as reference level.

Table 5.11 showing the Net Sales to Working Capital

Year	Net Sales	Working Capital	Ratio
1986-87	6242.08	3124.26	2.34:1
1987-88	4877.27	2393.85	2.03:1
1988-89	7320.12	2635.57	2.36:1

$$\frac{\text{Net Sales}}{\text{Working Capital}}$$

Table 5.11 reveals that Net Sales to working capital in 1986-87 was 2.34:1 which came down to 2.03:1 1987-88. But in 1988-89 it increased to 2.36:1. Thus it can be said that the Net Sales is higher than the working capital which is about two fold.

Net Sales to Quick Assets

The Net Sales to quick assets can be seen from the table 5.12. It reveals that the sales to quick assets decreased from 1.98:1 in 1986-87 to 1.56:1 in 1987-88 but it rose to 1.92:1 in 1988-89. In terms of figure quick assets are half of the Net sales. This shows that Net sales has increased at a higher rate than quick assets except in the year 1987-88.

Table 5.12 showing Net Sales to Quick Assets

Year	Net Sales	Quick assets	Ratio
1986-87	6242.08	3142.58	1.98:1
1987-88	4877.27	3124.63	1.56:1
1988-89	7320.12	3821.63	1.92:1

$$\frac{\text{Net Sales}}{\text{Quick assets}}$$

Net Sales to Current Assets

It is desired to ascertain the contribution of current assets to the sales then we may calculate this ratio. For this purpose the figure of net sales is to be divided by the current assets. The calculated ratios can be seen from the following tables. will be the ratio.

Table 5.13 showing Net Sales to Current assets.

Year	Net Sales	Current assets	Ratio
1986-87	6242.08	5697.26	1.09:1
1987-88	4877.27	5878.86	0.83:1
1988-89	7320.12	6716.19	1.08:1

$$\frac{\text{Net Sales}}{\text{Current assets}}$$

The net sales to current assets can be studied from the table 5.13. It reveals that in 1986-87. Net sales to current assets was 1.09:1 which came down to 0.83:1 in 1987-88 but it increased to 1.08:1. This leads to a conclusion that the net sales to current assets was not very satisfactory.

Net Sales to Total Tangible Assets

This ratio is calculated by dividing net sales by total tangible assets of the firm. It is

calculated as

$$\frac{\text{Net Sales}}{\text{Total Tangible assets}}$$

The total assets turnover ratio is a significant ratio since it shows the company's ability of generating sales from all the financial resources committed to the firm. As this ratio increases, there is more revenue generated per rupee of total investment in assets. A higher ratio of net sales/ total tangible assets gives an indication of a higher degree of efficiency in the utilisation of assets. Higher the ratio, more efficient the utilisation of resources and, therefore, lesser the probability of financial problems. The higher turnover brings fair return and even if the profit margin is small, the total return on investment shall be large enough to overcome any financial difficulties. Therefore, a lower turnover of total assets is generally treated as precursor of financial crisis and thus an indicator of corporate sickness.

Table 5.14 showing Net Sales to Total Tangible assets

Year	Net Sales	Total tangible assets	Ratio
1986-87	6242.08	7747.03	0.80:1
1987-88	4877.27	7732.48	0.63:1
1988-89	7320.12	8475.05	0.86:1

Table 5.14 shows that Net Sales to total tangible assets is very low which can be read as 0.80:1 in 1986-87, 0.63:1 in 1987-88 and 0.88:1 in 1988-89. In terms of figure total tangible assets are more than the net sales of different years. This leads to a conclusion that in terms ratio Net sales to total tangible assets is not higher therefore, the degree of efficiency in the utilisation of resources is not higher.

Fixed Assets Turnover Ratio

This ratio measures the efficiency in the utilisation of fixed assets. Is there any excess installed capacity ? Have the fixed assets been fully utilised ? To what extent are fixed converted into sales ? The answer to these question will be traced by the analysis of this ratio. The capacity concerns which require huge investments in fixed assets usually attach greater significance to it.

For calculating this ratio we divide the total value of sales by the amount of fixed assets invested. A high ratio is an index of over capacity while the low ratio suggest idle capacity and excessive investment in fixed trading assets.

relation to its net worth is excessively large in comparison to the similarly situated concerns a business is said to be over trading i.e handling a large turnover than warranted by its net worth. The overall result is that huge financial obligations are incurred which leads to under capitalisation . It is usually maintained that a higher turn over of capital is a sign of prosperity.

Table 5.16 showing the Net Sales to Net Worth

Year	Net Sales	Net Worth	Ratio
1986-87	6242.08	3662.59	1.70:1
1987-88	4877.27	3887.59	1.25:1
1988-89	7320.12	4094.21	1.78:1

$$\frac{\text{Net Sales}}{\text{Net Worth}}$$

The table 5.16 shows that in 1986-87 the Net sales to Net worth was 1.70:1 but it came down to 1.25:1 in 1987-88 and in 1988-89 it rose to 1.78:1. From this analysis it can be concluded that in 1986-87 and 1988-89 the value of sales in relation to net worth was more which is said to be over trading i.e handling a large turnover than warranted by its net wor

4. Profitability ratios

Profitability ratios are designed for the evaluation of the company's operational performance. The numerator of the ratios consists of periodic profits according to a specific definition, while the denominator represents the relevent investment base. The ratios thus are an indicator of the company's efficiency in using the capital committed by shareholders and lenders. Some of profitabilty ratios in common use are :

(1) Net income to net sales

(2) Net income to net worth

(3) Net income to total debts

(4) Net income to net working capital

(i) Net Income to net sales

$$\frac{\text{Net Income}}{\text{Net Sales}}$$

(ii) Net Income to net worth

$$\frac{\text{Net Income}}{\text{Net Worth}}$$

(iii) Net Income to total debts

$$\frac{\text{Net Income}}{\text{Total debts}}$$

(iv) Net Income to net working capital

$$\frac{\text{Net Income}}{\text{Net Working Capital}}$$

The profitability ratios could not be calculated because the annual reports of N.T.C. have shown continuous losses for the last three years.

Conclusion

In order to assess the financial performance of sick cotton textile mills of N.T.C, solvency ratios, liquidity ratios and turn over ratios were calculated and the results of this ratios are as follows.

The main objectives of solvency ratio is to indicate the company's ability to meet its long term obligation. To judge the solvency of the mills four ratios were calculated which shows that total tangible assets to long term debts, total tangible assets to total debts, net worth to total debts and net worth to long term debts are continuously decreasing during the year 1986-87, 1987-88 and 1988-89 and are also less than the standard norm 1:1. It leads to a conclusion that these mills are not in solvent position.

The general objective of liquidity ratio is to indicate the company's ability to meet its short term financial obligation. To assess the liquidity of

sick cotton textile mills of N.T.C, five ratios were calculated which indicates that current assets to current liabilities, current assets to total tangible assets, quick assets to total tangible assets, cash to current liabilities and quick assets to current liabilities are continuously decreasing durin the period 1986-87, 1987-88, 1988-89 are less than the standard norm 2:1. This leads to a conclusion that liquidity of cotton textile mills of N.T.C is very poor which displays sickness of the mills.

Turn over ratio usually consists of sales figures in numerator and the balance of assets are used to indicate various aspects of operational efficiency. Six turn over ratios were calculated for N.T.C. mills, sales to working capital shows sales is higher than the working capital. In case of net sales to quick assets, the net sales has higher rates than the quick assets except in the year 1987-88. Net sales to current assets is very satisfactory. In regards to net sales to total tangible assets, the degree of efficiency in the utilisation of resources is not higher. Net sales to fixed assets, ratio shows that in 1986-87 and 1987-88 the N.T.C's mills had more idle capacity and excess investment in fixed trading assets.

remedial measures are applied. They would, therefore, need concessions in interest, margin money and time for the repayment of debts. Depending upon the merits of each case, a bank will have to consider :

(i) the funding of unpaid interest/ installments /uncovered part of advance;

(ii) easy repayment installment of long-term loans with reasonable moratorium;

(iii) reducing interest and margin;

The Government may come up with the proposals, if necessary through legislation to protect the interest of small industry.

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Chapter VII

CAUSES OF INDUSTRIAL SICKNESS IN COTTON TEXTILE MILLS OF U.P. - A Survey Analysis

An industrial unit does not become sick overnight, rather it passes through diferent stages. At the early stage the sickness is seen in the form of disorders in any of the functional areas such as production, marketing, finance and personnel etc. which in turn, may results decline in production and sales, returning of bills, accumulation of stocks etc. Besides, there are different causes of sickness which vary from industry to industry , unit to unit and product to product etc. For example in a small scale industry inadequacy of raw material coupled with problems of production which affects the level of output. The increase in the cost of raw material overheads and taxes push up the final cost of production. Added to decline in sales, poor cash management results in the frittering away of the resources and symptoms of sickness may appear.

Research studies have revealed that sickness in small scale industries is broadly caused by two sets of factors:

I- Internal factors

II- External factors.

Among the various internal and external

factors the important ones are :

Internal Factors

There are certain internal factors which lead to widespread individual sickness. These factors can be controlled if the unit is in a position to handle certain things in an effective manner. They may be termed as controllable factors. A particular unit can control these factors if it is in a position to set the things in right direction. The remedies of these factors wholly depends upon the ability of the management to take quick and timely decisions. If the management recognise the symptoms of industrial sickness and take remedial measures before the industrial unit goes to sickness and set its activities according to the requirements of the economic conditions prevailing in the country it can save unit from sickness. Internal sickness can be divided in the following headings.[1]

a) Mismanagement or Inefficient Management

Among the the internal factors responsible or the sickness of an industrial unit is mismanagement or defective management or bad management. "Bad managemnt may be explained as the management which is not in a position to handle the affairs of a business concern effectively".[2]

Lack of management competence has been one of the main causes for increasing sickness in small scale sector. Many new entrants do not possess the requisite qualification, training and experience in the fields of manufacturing, organisation and running of units. The problem has become more acute with the implementation of the self-employment schemes for Educated Unemployed Youth. It is known from many surveys that the youth are entering the small industry because finance is provided by banks and many incentives and subsidies are offered by the Governments. Studies carried out by SBI recently revealed that the youth have neither motivation, nor training nor risk-taking capacity. Besides, the educational qualifications also do not suit them for the activity started by them. Further, it is learnt that many self-employed people enter the field as a stop-gap arrangement and as and when they get some employment they leave the unit without any hesitation as they do not have much stake in the unit. Moreover, many entrepreneurs venture the field without any future plan.

"Bad management is also associated with one man rule in the organisation without managerial ablities".[3] Our Industrial units to a large extent is run and managed by persons who possess either poor managerial abilities or no managerial knowledge. In these units there is a common dearth of efficient

managers. Many of these units have been promoted by the technical personnel without having sufficient knowledge on how to run the business. Thus, these units are managed and looked after by inefficient managerial persons and face very many problems to obtain the desired goals. Due to lack of adequate managerial knowledge most of the business units face sickness and are forced to close their shutters for ever.

Marketing Problems

The other important factor causing sickness in small scale industry has been the inability to market the products. For many obvious reasons such as lack of market information, poor advertising, poor quality of products, etc., Professional marketing is conspicuous by its absence.

Lack of Research and development

Due to weak financial position the research and development activities in this industry are not conducted properly. Research plays an important role in developing production and distribution techniques. It makes an industrial units to adjust its activities according to time and conditions. Due to lack of research and development the quality and standard of goods are poor and fail to meet the consumers needs in this fast changing.

Lack of Forecasting

Another important internal factor which is responsible for industrial sickness is the lack of forcasting the change. Some of these changes take place slowly and are found to be predictable while other occurs suddenly and can be predicted unless firm and its management is competent enough to force such events in time and estimate their impact. These changes may be competition political, social, economic scientific and technological. In these changing circumstances a firm must be competent to see and adjust its activities according to the time and condition. If it fails to adjust its activities it will have to face sickness.

Faulty Project Planning

Due to lack of managerial ability the project planning is not done properly. Many a time, units face difficulties in the field of manufacturing and selling. These are the much important and basic field of activities of an industrial units. The location of the plant, selection of goods to be produced and the needed resources are not make surveys of demand and supply before setting up a unit. The viability of the project is not determined before the unit goes into action. In most of the cases it is found that although the

exisiting sources are not fully capable to create the demand. "The units were set up with a hope to get other'share. This result in unhealthy competition and decrease in the profitability. In such circumstances units with sound financial and managerial background can face the consequences while other fall sick".[4] The need of the hour is that different financial institutions specially banks, should help the entrepreneurs in conducting viability studies, both technical and ecconmic, before the unit is actually sponsored. But this is not being done adequatly and objectively. Due to miscalculations, the industrial units face the industrial sickness and are ultimately forced to close thier shutters permanently creating several severe problems like unemployment and wastage of resources.

Technological Problems

It is learnt from many studies that technological problems, have turned many units sick. Because of shortage of finances, many units resort to outmoded equipment and methods. In the result, small units start facing problems of quality as also high cost of production and consequently they find it difficult to compete with the large industries producing the same products or other units from the small scale sector with the fast changing technology.

inventories should be fixed in such a way that neither funds are blocked nor shortage of material is created. Both shortage and excess of raw materials leads to unhealthy conditions. lack of proper studies and demand estimation cause many difficulties in the fixation of inventories. This lands a unit in the net of industrial sickness.

Poor Exploitation and Utilisation of Resources

One of the major factors responsible for industrial sickness is the poor utilisation and exploitation of its available factors of production. For the success of an industrial unit it is needed that it should utilise its resources to the maximum possible extent. The capacity utilisation or resource utilisation should get proper attention of the management.

Lack of Ploughing Back of Profits

In the Industrial Units there is a lack of Ploughing back of Profits. Many healthy units build up their savings out of profits by ploughing back of profits. These savings or reserves are nothing but retained earnings. It is a very economical source of finance as the unit is not required to pay any interest on this amount. It helps an industrial unit to face the challenges of depression and seasonal fluctuations.

Entrepreneurs do not pay proper attention on unforeseen expenditure and hence, neglect ploughing back of profits. This leads to financial crisis in the wake of economic depression or demand recession.[5]

Lack of Accounting and Management Information System or Inefficient System of Record Keeping.

As has been pointed out earlier that Industrial Units are managed by unqualified and even illiterate persons who do not have sufficient knowledge of accounting and book-keeping. Thus the lack of accounting information system is another cause of industrial sickness.

Shortage of finances has been identified as one of the most important causes of sickness among small scale units. Many enter the field with inappropriate financial structures, meagre resources and with their poor equity base they are not able to attract the attention of creditors and investors. Very often poor equity base of small sector has been identified as the cause of sickness in small scale sector as the same affects the operations in small units. Though the Government has extended a number of incentives for the growth of this sector and financial institutions like SFCs and banks have been provided increasing quantum of finances still finance seems to be the scarce factor for many units which

become sick.

Due to lack of proper accounting system there always remain the absence of proper records of past activities. The lack of accounting information system leads to wrong information and decision making. Most of these units do not have systematic budgetary control device. Due to lack of proper information of past activities they prepare neither cash flow statements of past nor they forecast the cash flow future. Many of these units do not have proper and scientific costing system to calculate the effective cost of each product. On account of lack of proper accounting and record keeping the units fail to forecast the trend of their activities which in turn results to the erosion of cash and leads to sickness.

High Rate of Capital Gearing

The other important internal factor of industrial sickness in the industrial units is high rate of capital gearing. It has been pointed out by several entrepreneurs that they are to depend upon a higher proportions of long term fixed interest bearing loans. These loans are provided by banks and other financial institutions and in most cases by indigenous money lenders. The rate of interest of these loans is found to be very high if compared with he total capital employed. Some studies show that bank credit and loans

from term lending instiutions constitute about 75 to 90 percent of the total capital employed in the majority of the Industrial Unit Sector. These loans carry a fixed interest comparatively at higher rate. These loans providing agencies do not see whether the firm is working effectively or not. They only concern about realisation of loan and its interest. The high rate of capital gearing and economic depression are sufficient enough to push a marginal firm into sickness. Further units generally raise their initial capital in the form of debt capital from indigeneous money market. They don't have free access to long term organised debt market or the equity market. For each of their additional capital requiremens they have to depend upon local money lenders or at the most on commercial banks who charge usually high rate of interest depending upon the time of repayment. When the commercial banks fail to meet the financial requirement specially at the time of economic recession these units become sick. Again, it has been own experience that duing economic recession some industrial units become sick because of the problem faced by similar firms. It may be due infection effect.

Other Problems

There are many units which are born sick and the number of such units is increasing from time to

time. Many small scale units are ancillary industries and their fate is greatly linked up with large scale units. Any adverse effect on large industries, therefore, is invariably felt by the small scale units also. Another constraint of small scale industries is their size. they cannot reap the benefits of scale, reduce the cost of production, innovative and adopt fast changing technology and improve the quality of their products. Due to their inherent weakness they have to depend on the support of the Government, large industries and society in general.

From the above it can be said that sickness in the small scale industries has been due to various reasons and a unit becomes sick due to one or a combination of the various factors as explained above. But it will not be wrong to sat that the internal factors are controllable if the management is effecient and effective. These factors may be grouped as mismanagnagement, lack of accounting and management information,high rate of capital gearing, lack offorecasting, research and develoment, faulty project planning, poor maintenence of plant and machinery, improper fixation of inventory, poor collection of bad and doubtful debts and infighting, etc.

Among these causess the management weakness is the most prominent factor of industrial sickness in

industrial units. In fact, management around which all the factors rotate. In fact, management weakness encompasses almost all the othe causes since it covers every aspect of the working of an unit. Thus, the main cause of industrial sickness among internal causes is the poor or weak managemnt and other causes are subsidiary and are the creation of mismanagement or inefficient management.

The internal factors caused sickness in seven cotton textile mills namely Atherton Cotton Textile Mills, Kanpur, Bijli Cotton Mills, Hathras, New Victoria Cotton Textile Mills, Kanpur, Swadeshi Cotton Textile Mills, Kanpur, Swadeshi Cotton Mills, Naini, Sri Vikram Cotton Mills, Lucknow and The Elgin Mills, Kanpur of U.P. have been identified and discussed in the following pages.

Managerial Factors causing Sickness in Cotton Textile Mills of U.P.

In order to analyse the managerial factors influencing sickness, a ranking table has been prepared by taking upto eight rank of different managerial factors. Weighted score of each factor has been shown in table 6.1.

It is revealed from the data that among the ranking factors no proper manpower development programme has been considered as the first cause of sickness by 19.84 per cent of the mills, lack of management expertise and supervision has been ranked second by 15.87 per cent of the mills. Timely and adequate modernisation has got the third rank with a rating 12.3 per cent as a factor influencing sickness in cotton textile mills of Uttar Pradesh. It has also been revealed that no proper manpower development programme has emerged as the single most influencing factor for sickness by scoring 50 points. Second highest points were scored by lack of management expertise and supervision (40 points). Third and fourth position according to score went to lack of timely and adequate modernisation (31 points) and lack of professionalisation (23 points).

From the foregoing discussion it can be

Table 6.1 showing the weighted score of Managerial factors Causing Sickness in Cotton Textile Mill of U.P.

MANAGERIAL FACTORS	Ranking Preference of cotton textile mills R1	R2	R3	R4	R5	R6	R7	R8	WS	PWS	RPWS
1 Is it due to lack of management expertise and supervision	2	3	0	0	0	1	0	0	40	15.87%	2
2 No proper manpower development program.	3	2	2	0	0	0	0	0	50	19.84%	1
3 Frequent sickness of owner/manager.	0	0	0	0	0	0	0	0	0	0%	15
4 Inability to maintain proper accounts.	0	0	1	0	0	0	0	2	8	3.17%	9
5 Improper corporat planning.	0	0	2	1	0	0	2	0	9	3.57%	8
6 Inefficient working Capital management.	0	0	0	1	1	0	0	0	21	8.33%	5
7 Improper project planing.	0	0	0	0	1	0	0	0	4	1.58%	11
8 Lack of integirity	0	0	0	1	0	0	0	0	5	1.98%	10
9 Lack of coordination in various functional area	0	0	0	1	0	2	2	1	16	6.34%	7
10 Absence of control.	0	0	1	1	1	1	0	1	19	7.53%	6
11 Lack of timely & adequate modernisation.	0	0	1	2	1	1	0	0	31	12.3%	3
12 Poorly concieved Scheme.	0	0	0	0	0	0	0	0	8	3.17%	9
13 Over ambitious programm.	0	0	0	0	0	0	0	0	0	0%	15
14 Inapropriate Collaboration.	0	0	0	0	0	0	1	1	3	1.19%	12
15 Over Centralisation.	0	0	0	0	0	0	0	1	1	0.39%	14
16 Lack of proffessionalisation.	0	2	0	0	1	1	1	0	23	9.12%	4
17 Incompetent and dishonest management.	0	0	0	0	1	1	0	1	8	3.17%	9
18 Heavy expenditure on research and development.	0	0	0	0	1	0	0	0	4	1.58%	11
19 Improper wage and salary administration.	0	0	0	0	0	0	1	0	2	0.79%	13
No. of mills.	7	7	7	7	7	7	7	7	252		

SOURCE: Questionnaire
NOTE : R:Rank
WS : Weighted Score.
PWS : Percentage of Weighted Score.
RPWS: Ranking Percentage of Weighted Score

concluded that no proper manpower development programme, lack of management expertise and supervision and lack of timely and adequate modernisation have been the main causes of sickness in cotton textile mills of Uttar Pradesh.

Therefore, management of mills should make an arrangement to send their employees for training and should induct experienced professionals on the board of directors, competent technincal and management personnel must be appointed to the key positions. Besides they should have a research and development cell for finding out the possibilities of modernisation of the mills.

Financial Factors causing Sickness in Cotton Textile Mills of U.P.

In order to analyse the financial factors causing sickness, we have prepared ranking table by taking upto 10 ranks of different financial factors. Weighted score of each factor has been calculated as shown in the table 6.2.

It is revealed from the data presented in the table that lack of finance and working capital has been considered as the first cause of sickness by 5 units out of 7 units and secured 50 points. The second most important factor (second Rank) was continuous loss and poor cash management which has been the cause of the sickness in cotton textile mills of Uttar Pradesh. Too much dependence on borrowed money has been the third cause of sickness and secured 35 points according to the weighted score. Inappropriate financial structure and too much bad debts have got fourth and fifth rank among the causes of sickness. Thus it can be said that lack of finance and working capital, continuous losses/ poor cash management and too much dependence on borrowed money have been the main causes of sickness.

Therefore, the management of mills should find some solution to the problem. Sick units need time to generate surplus and build up themselves when

Table 6.4 showing the weighted score of financial factors causing sickness in cotton textile mills of U.P

FINANCIAL FACTORS	Ranking preference of cotton textile mills												
	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	WS	PWS	RPWS
1 Lack of finance and working Capital.	5	0	0	0	0	0	0	0	0	0	50	13.26	1
2 Too much dependence on borrowed money.	1	2	0	1	0	0	0	0	0	0	35	9.28	3
3 Too many bed debts.	0	1	1	1	0	1	0	0	0	0	29	7.69	5
4 Inappropriate financial structure.	0	0	2	1	1	1	0	0	0	0	34	9.01	4
5 Absence of financial planning & budgeting.	0	0	0	1	1	1	0	0	0	0	18	4.77	9
6 Absence of costing and pricing.	0	0	0	0	0	1	1	0	0	0	9	2.38	13
7 Diversion of funds.	0	1	0	0	1	0	2	1	0	0	26	6.89	6
8 Law capital base and / or inadequate /or inappropriate.	0	1	0	0	0	0	0	3	0	1	19	5.03	8
9 Continious loss and / or poor cash management.	1	0	2	0	0	0	2	0	1	0	36	9.54	2
10 Over run in the cost of installation.	0	1	0	0	0	0	0	0	0	0	9	2.38	13
11 Inexpedient pricing policy.	0	0	0	0	0	0	0	0	0	0	0	0	16
12 Unrealistic pricing policy.	0	0	0	1	0	2	0	0	1	0	19	5.03	8
13 Unsound financial planning.	0	0	1	0	0	0	1	0	0	0	12	3.18	11
14 Faulty costing.	0	0	0	1	0	0	0	0	0	1	1	0.26	15
15 Liverral dividend policy.	0	0	0	0	0	0	0	0	0	0	0	0	16
16 Insufficient funds.	0	0	0	0	2	0	1	1	1	1	29	7.69	5
17 Over trading.	0	0	1	0	0	0	0	0	0	0	8	2.12	14
18 Adverse debt equity ratio.	0	0	0	1	1	0	0	0	1	1	16	4.24	10
19 Symphony of funds.	0	0	0	0	0	1	0	0	2	1	10	2.65	12
20 Unplanned payment to creditors.	0	0	0	0	0	0	0	1	0	1	4	1.06	14
21 Poor utilisation of assets.	0	1	0	0	1	0	0	1	1	1	21	5.45	7
No. of mills	7	7	7	7	7	7	7	7	7	7	385		

SOURCE: Questionnaire
NOTE : R:Rank.
WS : Weighted score.
PWS : Percentage of Weighted Score.
RPWS : Ranking Percentage of Weighted Score.

mills of Uttar Pradesh. Therefore, the management of these mills should give due importance to sale promotion programmes and product mix. They must also make necessary arangement to forecast the demand and other market information.

Marketing Factors causing Sickness in Cotton Textile Mills of U.P.

Sickness in industries is not the influence of any single factor but it owes due to number of factors. Marketing factors are one of the main factors causing sickness in industries. We have therefore attempted to assess the influence of marketing factors on cotton textile mills of U.P. A limited sample of sick cotton textile mills has been drawn from Uttar Pradesh. According to the calculated weighted score lack of sales promotion has been the first cause of sickness (Ist rank) followed by selection of inadequate product mix (IInd rank) inaccurate demand forcasting (IIIrd rank) and lack of market feed back (IVth rank).

Further, it can be observed that out of 246 points of weighted score, lack of sales promotion has got 33 points, selection of inadequate product mix secured 32 points. Inadequate demand forcasting recieved 31 points and lack of market feed back got 28 points. It is therefore, revealed that the above four factors together secured 124 points which are more than 50 percent. Thus, it can be said that lack of sales promotion, selection of inadequate product mix, inaccurate demand forcasting and lack of market feed back are the main causes of sickness in cotton textile

Table 6.3 showing the weighted score of marketing factors causing sickness in cotton textile mills of U.P.

MARKETING FACTORS	Ranking preference of cotton textile mills										
	R1	R2	R3	R4	R5	R6	R7	R8	WS	PWS	RPWS
1 Inaccurate demand forcasting.	3	1	0	0	0	0	0	0	31	12.6	3
2 Selection of inadquate product mix.	3	1	0	0	0	0	0	1	32	13	2
3 Lack of sales promotion.	0	3	2	0	0	0	0	0	33	13.41	1
4 Lack of sufficiant advertisement.	1	0	2	0	0	1	0	0	23	9.34	5
5 Lack of market feed back.	0	1	1	3	0	0	0	0	28	11.38	4
6 Poor marketing effort.	0	0	2	0	1	0	0	0	16	6.5	7
7 Lack of sales promotion.	0	1	0	1	1	1	0	0	19	7.72	6
8 Absence of product planning.	0	0	0	0	0	0	2	0	4	1.62	11
9 Dependence on few buyers.	0	0	0	2	0	1	1	0	15	6.09	8
10 Lack of market research.	0	0	0	0	3	0	0	0	12	4.87	10
11 Pricing of product.	0	0	0	1	0	3	1	0	16	6.5	7
12 Lack of knowledge of markting technique.	0	0	0	0	0	0	0	0	0	0	12
13 Weak market Organisation.	0	0	0	0	1	0	0	0	4	1.62	11
14 Poor sales realisation.	0	0	0	0	1	1	3	0	13	5.28	9
No. of mills.	7	7	7	7	7	7	7		246		

SOURCE: Questionnaire
NOTE : R: Rank.
WS : Weighted Score
PWS : Percent of Weighted Score.
RPWS : Ranking Percentage of Weighted Score.

Productivity Factors causing Sickness in Cotton Textile Mills of Uttar Pradesh.

Productivity factors causing sickness in textile mills has been shown in Table 6.4 to assess this fact, we have analysed the priority ranking of sample units. Priority ranking with weighted score shows, that three most important factors such as poor maintenance and replacement of machinery, poor quality of products and power shortage have scored 47 points, 33 points and 23 points respectively. However, 18.65 percent of the unit considered poor maintenance and replacement of machinery as first ranking factor, poor quality of product is considered as a second factor of sickness by 13.09 per cent of the mills and power shortage has been concluded as the third cause of sickness. We can conclude from the above that poor maintenance of machinery, poor quality of product and power shortage have been the main causes of sickness in cotton textile mills of Uttar Pradesh.

Keeping in view the above noted findings into consideration it can be suggested that management of these seven cotton textile mills should give due attention to maintenance of machinery and quality of product. Similarly the Government should care forward to solve the problem of power shortage.

Table 6.4 showing the weighted score of productivity factors causing sickness in cotton textile mills of U.P.

PRODUCTIVITY FACTORS	Ranking preference of cotton textile mills										
	R1	R2	R3	R4	R5	R6	R7	R8	WS	PWS	RPWS
1 Wrong selection of sight for industrial unit.	1	0	0	0	1	0	0	0	12	4.76	7
2 Poor quality of raw materials.	1	0	0	0	0	0	0	0	8	3.17	10
3 Poor maintenance and replacement of machinery	4	0	2	0	0	1	0	0	47	18.65	1
4 Power Shortage.	0	3	0	0	0	0	0	2	23	9.12	3
5 Delayed supplies from Sub Contractors.	0	0	0	0	1	0	0	0	4	1.58	13
6 Lack of product diversification.	0	0	1	0	0	1	0	1	13	5.15	6
7 Poor qualitiy of product.	0	0	3	3	0	0	0	0	33	13.09	2
8 Improper planning for the life of the product	0	0	1	1	0	0	0	0	11	4.36	8
9 Lack of quality control.	0	1	0	1	0	0	0	0	12	4.76	7
10 Poor industrial relation.	1	0	0	0	1	1	0	0	15	5.95	5
11 Lack of order due to competition.	0	0	1	1	1	0	0	0	15	5.95	5
12 Irregular deleveries.	0	0	0	0	0	1	1	0	5	1.98	12
13 Lack of raw material due to high cost.	0	2	0	0	2	0	0	0	22	8.73	4
14 Sudden increase in cost of production	0	0	0	0	0	1	0	0	3	1.19	14
15 Heavy borrowing higher interest charges	0	0	0	0	1	2	0	1	11	4.36	8
16 Unplanned capital expenditure	0	0	0	0	0	0	0	0	0	0	16
17 Unplanned payment creditors	0	0	0	0	0	0	1	0	2	0.79	15
18 Absence of manpower planning and overstaffing	0	0	0	0	0	1	2	2	9	3.57	9
19 Increased cost not recovered in selling price due to faulty costing	0	0	0	0	0	0	3	1	7	2.77	11
Total number of mills	7	7	7	7	7	7	7	7	252		

SOURCE : Questionnaire
NOTE : R:Rank
WS : Weighted Score.
PWS : Perecentage of Weighted Score
RPWS : Ranking Percentage of Weighted Score

Personnel Factors causing Sickness in Cotton Textile Mills of U.P.

Sickness in cotton textile mills is not influenced by any single factor, it may be due to number of factors. To know the real causes of sickness a survey was conducted in seven cotton textile mills of Uttar Pradesh. Eleven personnel factors causing sickness were taken for study as shown in table 6.5. The mills were asked to give their openion about the causes of sickness in order of priority. A weighted score has been calculated for these openion. The idea of weighted score has been borrowed from G.N.Sazamal, who made an attempt to evaluate the efficiency of Industrial development loan. The weighted score has been termed as content score by G.N.Sazamal in his studies. This is secured by each factor. In order to get weighted score or 'content score' for each factor we have assigned weight to each rank and got the weighted score for factors. Since we have taken upto 6th rank and assigned 6 points to first rank, 5 points to second rank, 4 points to third rank, 3 point to fourth rank, 2 points to fifth rank and 1 point to sixth rank.

From the calculated weighted sum of the ranking. It can be concluded that absence of manpower planning has been the first cause of sickness, bad labour relation as second cause and weak

Table 6.5 showing the weighted score of personnel factors causing sickness in cotton textile mills of U.T.

PERSONNEL FACTORS	Ranking preference of cotton textile mills								
	R1	R2	R3	R4	R5	R6	WS	PWS	RPWS
1. Bad labour relation.	3	1	0	0	0	1	24	16.32	2
2. Inappropriate wage and salary administration.	1	1	0	0	0	0	11	7.48	5
3. Absence of manpower planning.	3	3	0	0	0	0	33	22.44	1
4. Continous labour strike or lack out resulting	0	1	0	0	0	0	5	3.4	9
5. Stoppage of work and low productivity.	0	0	3	0	0	0	12	8.16	4
6. Internal quarell.	0	0	2	3	1	0	19	4.76	7
7. Weak Organisational set up.	0	0	0	1	2	0	7	10.88	3
8. Labour Absenteeism / Labour problems.	0	1	1	1	1	2	16	2.72	10
9. Inefficiant handling of labour problems.	0	0	0	0	0	4	4	4.08	8
10 Low labour productivity.	0	0	1	0	1	0	6	6.8	6
11. Lack of trained / skilled labour.	0	0	0	2	2	0	10		
No.of mills.	7	7	7	7	7	7	147		

SOURCE: Questionnaire
NOTE : R:Rank.
WS : Weighted Score.
PWS : Percentage of Weighted Score.
RPWS : Ranking Percentage of Weighted Score.

organisational set-up has been the third cause of sickness in textile mills of Uttar Pradesh.

Keeping in view the above findings into consideration it can be suggested that the management of textile mills should give due attention to proper manpower planning and should maintain good labour relations.

External Factors

The external factors are related to the environment in which the industry works and over which the industry or management has no direct control. These may be grouped as advancement in science and technology, government policy regarding production, prices and distribution, inadequate supply inputs like raw material, power shortage, inadequate transport facilities, non-availability of adequate and timely finance for working capital requirement, labour problem, delayed payment, competition, procedural delays in sanctioning loans by commercial banks and other financial institutions.The External factors have discussed the following headings.[6]

Advancement in Technology

The present age is the age of science and technology. In this age a large number of organisations are engaged in the research and development activities. These institutions are leaving no stone unturned to develop sophisticated techniques of production in order to meet the challenges of production and distribution. The process of developing high technology and its absorption is at the peak in advance where resources are in abundance. With the passage of time developed industrial economies of the

world are working hard to develop newer techniques of production. In our economy there is a general deficiency of sophisticated techniques or high level technology where entreprenurs are found to be reluctant to conduct development activities of their own. They are not even in a position to absorb the new technology in their production process. If they develop and absorb new technology the changing phase of science and technology creates numerous other problems. Thus,in this age,the science and technology is an uncontrollable problem created by new inventions in the field of production and distribution.This state of affairs of change in technology from time to time leads to industrial sickness.

Labour Unrest

The present age can also be termed as the age of strikes and lock-outs or the age of unrest. The management and the labour is struggling between minimum and maximum. Due to increase in awareness the labour force seldom goes on strikes which results in low productivity or lesser utilisation of available resources. Due to strikes and lock-outs the several man hours are lost and the organisation finds it difficult to recoup its losses. in such circumstances the unit has no option but to close down its shutters which is the symptom of industrial sickness. The

strikes in a particular organisation may be motivated by neighbouring units. Labour is not an ever satisfied element. Therefore, the strikes remain a challenge for all times to come and its incidence can not be eliminated for ever.

Power Failure

One of the main factors responsible for industrial sickness in modern days is power failure. Now a days most of the entrepreneurs complain about sudden electric power break down. These break down cause labour, material and machine wastage. On sudden electric failures the whole process comes at stand still which results in permanent cash losses resulting industrial sickness.

Market Recession

Sometimes country as a whole comes under the grip of general recession or inflation resulting the decline in the market demand. The sudden fluctuations become unbearable for entrepreneurs with meagre resources. This recessionary situation forced these entrepreneurs for under utilisation of installed capacity. Uncertain and excessive shortfall in demand again leads to unit to work below its break-even point. All these conditions force to entrepreneur to declare his unit as sick.

Shortage of Essential Inputs

Most of the units are facing acute shortage of essential inputs. As a result the units become sick. In this regard the example may be cited of mini steel plants where most of these plants are facing actual shortage of steel scrap, electric power and graphite electrodes, etc. On account of the paucity of these inputs they have no option but to under utilise their production capacity. In the long run these plants began to face cash losses and forced to close their doors and declare themselves sick.

Restrictions on Imports

In the country the government has imposed heavy restrictions on the import of sophisticated material, machinery and even on technology. Due to these restrictions most of the units specially engineering and electric goods producing units often face an acute shortage of materials and equipment available in foreign market or previous stock exhausted their production and supply is suspended which resulted industrial sickness.

Unfavourable attitude of Banks and Other Institutions

In spite of the liberal policies of the

government for meeting financial requirements of industrial units on priority basis, the banks and financial institutions are not paying proper attention. Due to procedural delays and unfavourable attitude of administrative and other staff, entrepreneurs do not approach the commercial banks and other institutions for loans. This state of affair resulted heavy industrial sickness.

Delayed Payment of Government Purchases

Another challenge which is faced by the industrialists is the delay in payment of government purchases. Due to these delays entrepreneurs are landed in financial crisis. Ultimately they are forced to declare their units as sick units.

Lack of Availability of Skilled Labour

In recent years due to diversification of industries from urban to rural areas the industries are established in rural and backward areas. An industry located in a backward area may get unskilled labour in abundance. But there is a shortage of skilled manpower in the countryside. This promotes industrial sickness.

Wage Disparity in Identical Units

It is a fact that a large number of units are not organised properly. Due to this fact the profitability of units goes down. Experience shows that

an effeciently managed and organised unit can offer better salaries and other facilities and benefits than mismanaged units. An skilled and efficient worker would prefer to shift to an employer who can offer better remuneration and facilities. In such circumstances an inefficient unit finds it difficult to retain skilled and efficient workers. A high rate of loss of skilled and experienced employees may further land the unit into difficulty resulting in the growth of number of sick units.

International Competition and Protectionist Policies of Advanced Countries

The degree of competition in the international market is rising in recent years. Besides, advanced countries have been imposing protectionist measures on their imports which are creating problems for exporting units. In such circumstances entrepreneurs are facing difficulties to attract customers in foreign markets which results in the loss of incomes.

Heavy Taxes

Heavy taxes, excise duty and other penalities contribute in increasing prices of goods and services producd in industrial units. The high in prices adversely affect the demand and revenues of industries which are already financially weak. This may further

aggravate the situation resulting in sickness.

Delays in Rehabilitation of Sick Units

Delays in rehabilitation of those units which have already gone to sickness is another cause of industrial sickness. Government aid for rehabilitation of these units usually comes very late due to procedural delays. On account of delays in recognising the symptoms and taking remedial measures take an ugly turn. This aid fuel to fire and promotes further sickness in industrial units due to infection effect.

Increased Government Interference

In recent times the government interference is on rise in day today affairs of business and industry. There is a large team of inspectors who casually visit units to check their product and working. This stands as an hinderance in the way of smooth functioning of units and affect their profitability and revenues adversely. In the long run this becomes the cause of industrial sickness in this sector.

Broadly external causes for sickness can be listed as,

1. Government policy regarding prices and distribution.
2. Restraint on diversification/expansion imposed by the government.

3. Liberalised licensing poicy for a single product resulting in excessive supply and unhealthy competition.
4. Taxation policy of the Government.
5. Import restraints on essential inputs.
6. Change in International marketing Scene.
7. Change in Government's purchasing policy.
8. Change in economic and Social policies of the Government.
9. Change in fiscal imposition.
10. Devaluation.
11. Failure of state institution vis-a-vis export orders on deffered payment Basis.
12. Various unwelcome compulsions, including pricing policy etc.
13. Credit Squeeze, high Interest rates.
14. Sharp fluctuation in exchange rates.
15. Credit restraints.
16. Delay in disbursement of loans.
17. Unfavourable investment climate.
18. Shortage of inputs.
19. Delay in release of promised funds by the Financial Institution.
20. Adverse and uncertain market conditions due to change in Government policies, emergence in subsidies, changing consumer's preference.
21. Lack of availability of credit at an appropriate time.

22. Market recession
23. Non-availability of skilled manpower.
24. Inter union rivalry.
25. Decline in the market demands for the goods.
26. Storage of/or interruptions in power supply.
27. Inability to reduce unit cost in a competitive market.
28. Receiving transport bottleneck.
29. Unrealistic price control.
30. Dependence on few buyers.
31. Changes in International market conditions.
32. Non-availability of skilled labour.
33. Higher turnover of labour and staff.
34. Low productivity of labour.
35. General labour unrest.
36. Wage desparities in similar industry.
37. Sudden strikes/lock outs.
38. Litigations.
39. Natural calamities.
40. Inaccurate demand forcasting.
41. Selection of inadquate product mix.
42. Lack of sales promotion.
43. Lack of sufficient advertisement.
44. Lack of market feed back.
45. Poor marketing efforts.
46. Absence of product planning.
47. Dependence of few buyers.

48. Lack of market research.

49. Pricing or product.

50. Lack of knowledge of marketing technique.

External Factors causing Sickness in Cotton Textile Mills of U.P.

It is revealed from the table 6.6 that restraint on diversification/expansion imposed by the Government has emerged as the first cause of sickness by scoring 69 points. The second highest point was secured by market recession (50 points). The third and fourth position according to weighted score went to non availability of skilled manpower (49 points) and change in economic and social policies of the Government (46 points). It is therefore, revealed that restraint on diversification/expansion imposed by the government, market recession, non availability of skilled manpower and change in economic and social policies of the Government secured 214 points having emerged as the most important factors causing sickness in the cotton textile mills of Uttar Pradesh.

Conclusion

The managerial factors such as lack of manpower development programme, lack of management

Table 6.6 showing the weighted score of external factors causing sickness in cotton textile mill in U.P.

EXTERNAL CAUSES	Ranking preference of cotton textile mills																
	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14	WS	IWS	RPWS
1. Govt policy regarding prices & distribution.	2	1	0	0	0	0	0	0	0	0	0	0	1	0	43	5.85	5
2. Restraint on diversification/expansion imposed by the Government.	3	2	0	0	0	0	0	0	0	0	0	0	0	1	69	9.38	1
3. liberalised licensing policy for a singal product resulting in excessive supply and unhealthy competition	0	0	2	0	0	0	0	0	0	0	0	0	0	0	24	3.26	13
4. Taxation policy of the Govt.	0	1	0	2	0	0	0	0	0	0	0	0	0	0	35	4.76	7
5. Import restrains on essential inputs.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25
6. Change in International marketing Scene.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25
7. Change in Government's purchasing policy.	0	0	2	0	0	0	0	0	0	0	0	0	0	0	24	3.26	13
8. Change in economic and social policies of the govt.	1	0	0	1	2	0	0	0	0	0	0	0	0	1	46	6.25	4
9. Change in fiscal imposition.	0	0	0	1	0	2	0	0	0	0	0	0	0	0	29	3.94	9
10. Devalution.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25
11. Failure of state institution vis-a-vis export order on deffered payment Basis.	0	0	0	0	1	0	0	0	0	0	0	0	0	0	10	1.36	20
12. Various unwelcome compulsions, including pricing policy etc.	0	1	0	0	0	1	0	0	0	0	0	0	0	0	22	2.99	14
13. credit Squeeze, high Interest rates.	0	1	0	0	0	0	0	0	0	0	0	0	0	0	13	1.76	17
14. Sharp fluctution in exchange rates.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25
15. Credit restraints.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25
16. Delay in disbursment of Loans.	0	0	1	0	0	0	0	0	0	0	0	0	0	0	12	1.63	18
17. Unfavourable investment climate.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25
18. Shortage of inputs.	0	0	0	0	0	0	1	0	0	0	0	0	0	0	8	1.08	21
19. Delay in release of promised funds by the financial Institution.	0	0	0	1	1	0	0	0	0	0	1	0	0	0	25	3.40	12
20. Adverse and uncertain market conditions due to change in Govt. policies, emergence in subsidies, changing consumer's prefence.	0	0	1	0	0	0	0	1	0	1	0	0	1	0	26	3.53	11

21. Lack of availability of credit at an appropriate time.	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	21	2.85	15
22. Market recession.	0	0	0	0	1	2	2	0	1	0	0	0	0	0	0	50	6.8	2
23. Non availability of skilled manpower.	0	0	0	0	0	1	2	2	0	2	0	0	0	0	0	49	6.65	3
24. Inter union rivalry.	1	0	0	0	0	0	1	1	0	0	2	0	0	0	0	37	5.03	6
25. Decline in the market demands for the goods.	0	0	0	0	0	0	1	2	3	0	0	1	0	0	0	43	5.85	5
26. Storage of/or interruptions in power supply.	0	2	0	0	0	0	0	1	0	2	0	0	1	0	0	32	4.35	8
27. Inability to reduce unit cost in a competitive market.	0	0	1	0	0	0	0	0	0	1	2	0	0	2	0	27	3.67	10
28. Receving transport bottleneck.	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	4	0.54	24
29. Unrealistic price control.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25
30. Dependence of few buyers.	0	0	0	0	0	0	0	0	1	0	0	2	0	0	0	12	1.63	18
31. Change in international market conditions.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25
32. Non-availbility of skill labour.	0	0	0	0	0	0	0	0	1	1	0	3	1	0	0	22	2.99	14
33. Higher turnover of labour and staff.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25
34. Low productivity of skill labour.	0	0	0	1	0	0	0	0	0	0	1	0	2	1	0	29	3.92	16
35. General labour unrest.	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	6	0.81	22
36. Wage deparities in similar industry.	0	0	0	0	0	0	0	0	0	0	0	1	0	2	0	5	0.68	23
37. Sudden strikes / Locl outs.	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	10	1.36	20
38. Litigations.	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	11	1.45	19
Total number of mills	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	735		

SOURCE: Questionnaire
NOTE : R:Rank.
WS : Weighted Score.
PWS : Percentage of Weighted Score.
RPWS : Ranking Percentage of Weighted Score.

expertise and supervision and timely and adequate modernisation have been the most striking factors for sickness and were ranked as first, second and third respectively which is evident from table 6.1.

Table 6.2 indicates that among the financial factor, lack of finance and working capital, coontinuous losses and poor cash management and too much dependence on borrowed capital have got the first, second and third rank and they were emerged as the most imprtant causes of sickness.

Among the marketing factors, sales promotion, inadequate product mix, inaccurate demand forcasting have got first, second and third rank, in order of ranking priority. It is clear from the table 6.3.

Among the productivity factors, poor maintenance and replacement of machinery was ranked first and secured 47 points, poor quality of production got second rank with 33 points and power shortage was ranked as the third cause of sickness with 23 points as it is evident from the table 6.4.

From the foregoing discussion, it can be concluded that a number of factors are responsible for sickness in cotton textile mills of Uttar Pradesh. The present study has revealed that among the personnel factors three most important factor viz; Absence of manpower planning, poor labour relation and weak

organisational set up are responsible for industrial sickness in cotton textile mills as depicted in table 6.5.

Table 6.6 reveals that the external factors such as restraint on diversification/expansion imposed by the government, market recession and non availability of manpower got the highest points 69, 50 and 49 respectively. This shows that they have been the most influencing factors.

Thus it can be said that there is no single factor which caused sickness but there are many factors which have been the causes of sickness in cotton textile mills of Uttar Pradesh.

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Chapter VIII

SUMMARY AND CONCLUSION

A persistent decline in profits or production or both or the incurring of cash losses, thus leading to closure of a large number of units is usually termed as 'Industrial Sickness'. Sickness in industry has not developed all of a sudden. This is a slow process which has set in about two decade ago. While the country made significant progress over the years and diversified its industrial activities, certain structural weaknesses set in particularly in the case of cotton textiles did not carry out replacement and modernisation in time. As a result, they were saddled with obsolete plant and machinery.

Such structural weaknesses became more pronounced in inflationary conditions, when cost of replacement of machinery or expansion far exceeded the original estimates and many industries found it difficult to carry out renovation and replacement.

To diagnose the Industrial Sickness in cotton textile mills of U.P. by identifying the main causes, the entire study has been divided into six different chapters.

In the first chapter, the concept of industrial sickness has been reviewed. It revealed that sick unit is one which bears one or more of the

following symptoms.

(i) a unit having negative equity; (ii) a unit incurring continous cash losses; (iii) the chances of recouping losses are either low or negative; (iv) a unit starts eating away its capital; (v) a unit stopped its production activities; (vi) Current liabilities exceeds current assets; (vii) irregular accounts with Banks; (viii) a unit closed permanently; (ix) a unit utilising its capacity below 20 percent; (x) rate of return on investment is less than the cost of capital; (xi) increased customers complaints; (xii) ability to face competition and ability to exist in the market is low; (xiii) a unit fails to meet its social and economic obligations; (xiv) a unit is not in a position to survive; (xv) low employees morale due to mismanagement; (xvi) decline in the quality and service; (xvii) a sick unit is one that has incurred cash losses in the immediately preceding two years and in the judgement of credit institutions is expected to incur these losses during the current year; (xviii) a sick unit is one whose net worth has been eroded to the extent of at least 50 percent; (xix) a sick unit is one whose working capital advance account with the bank was irregular and this persisted over a longer period of time 12 to 18 months and is likely to become more persistent; and (xx) a sick unit is one which has defaulted in paying four consecutive half-yearly (or

two consecutive annual) instalments of principal and interest on terms loans, if any.

The second chapter has been devoted to review the Government Policies towards rehabilitation of sickness in industries. This chapter shows that there cannot be one single solution for the revival of sickness. Problems have to be identified industrywise and unitwise. The units which have been mis-managed will have to change hands, and a proper scheme of reconstruction would have to be devised. In deserving cases, mergers and amalgamation should be allowed rather than take-over of the management by Government. Wherever Government poicy is responsible for making an industry sick, it would be advisable to modify the policy taking into account the broader objectives of growth. In some cases a unity may not be viable inspite of any assistance. Such units should be allowed to close down. Of course, this will create the problem of displacement of labour, but this will have to be sorted out rather than creating further difficulties by merely keeping the units alive.

In the revival of sick units banks and financial institutions have a great role to play. They have to strengthen their monitoring system and initiate early steps before the units reach a stage that they cannot be revived. In fact, the banks and

financial institutions have not been properly able to organise their monitoring system and they do not have up-to-date information about the assisted units.

Since the causes for sickness could be different for diffrent units, there cannot be a specific formula to rehabilitate a sick unit. Each case will have to be diagnosed separately and proper remedies should be found for it. However, some broad guidelines are suggeseted to nurse and rehabilitate a sick industrial unit. The following may be considered important in this regard.

(a) The causes for sickness must be clearly identified, preferably through a diagnostic study by a competent independent agency. Also the potential viability of the unit must be analysed considering the size of the unit, the stock of a bank and the complexities or sophistication of operation.

(b) The assets and liabilities of unit must be ascertained from the borrowers and this information must be put to the scrutiny of auditors.

(c) The assets charged-both current and fixed should be evaluated, parlicularly when it is estimated that there is a wide gap between the outstanding amount and the declared book value of assets.

(d) An assessment of fund required both long term and short term, should be made. Normally, a bank will provide additional funds for working capital, but some

amount on a long-term basis may also be made available depending upon the urgency of the situation. In other words the long-term capital base of small units must be improved.

(e) Necessary resources must be made available to install additional machinery to modernise the unit and improve its productivity.

(f) Managerial deficiencies must be detected and the units must be asked to induct professionals on the Board of Directors. Competent technical and managerial personnel must be appointed to the key positions in production, finance and marketing.

(g) Sick units need time to generate surplus and build themselves up when remedial measures are applied. They would, therefore, need concessions in interest, margin money and time for the repayment of debts. Depending upon the merits of each case, a bank will have to consider :

(i) The funding of unpaid interest/instalment/ uncovered part of the advance;

(ii) easy repayment instalment of long-term loans with reasonable moratorium;

(iii) reducing interest and margin;

(h) The Government may come up with proposals, if necessary through legislation to protect the interest of the small industry.

Third chapter analysed the growth and developmentt of cotton textile mills of India, in which it discussed that, after Independence, especially after Partition, the textile industry was badly affected due to acute shortage of raw material because 30 per cent of cotton growing area went to Pakistan. Inspite of this fact, the organised sector had 1056 textile mills out of which 733 were spinning mills and 283 composite mills which consist of handloom and powerloom.

At the end of the year 1988-89 there were 9.18 lakhs powerlooms and 33.04 lakhs handlooms. Out of 9.18 lakhs powerlooms, 5.27 lakhs were working on cotton of this 3.26 lakhs looms were in Maharashtra and 2.06 lakhs were in Gujrat. These powerlooms produced over 3680 million metres of cotton cloth per annum at the end of year 1988-89, which constituted 41 per cent of total quantity of cotton cloth produced in the country. Majority of looms do not function strictly on standard shift basis. Thus, the capacity of production was under utilisation of the total investment in textile industry (Rs.1500 crore), the share of powerloom was Rs. 300 crores.

In decentraslised sector, there were 33.04 lakhs handlooms and nearly 9.18 lakhs were cotton handlooms. The handloom industry provide employment to nearly 10 million people and an equal number of people

are employed in its auxillary activities. The capital investment in this sector was estimated to be of the order of Rs. 150 crores. The total production of handloom cloth has increased from 8582 million metres in 1984-85 to 10473 million metres in 1988-89, accounting an increase of 122.03 per cent. The highest number of handloom i.e. 5.56 lakhs were in Tamil Nadu followed by Andhra Pradesh (5.29 lakhs) and Uttar Pradesh (5.09 lakhs). From this fact it can be said that handloom industry is mainly concentrated in Tamil Nadu, Andhra Pradesh and Uttar Pradesh with the increase in the capital investment a number of mills, the consumption of cotton has also gone up from 1001.30 thousands tons in 1961 to 1344.02 thousands tons in 1988-89, recording an increase of 134.72 per cent. The consumption of fibre has also increased during the last two decade due to diverse growth and development of textile sector.

The production of yarn has gone up from 907 million kgs in 1966 to 1461.89 million Kgs in 1988, with an increase of 161.08 per cent. As far as the production of mill made cotton is concerned, it has increased from 7073 million metres in 1961 to 10940 million metres in 1988, an increase of 154.67 per cent. Likewise the export went up from Rs. 60 crores in 1961 to 2472 crores in 1988, recording an increase of 412 per cent. The study has revealed that Tamil Nadu and

Maharashtra having highest number of mills in the country. These states have 451 and 123 mills respectively. Likewise, installed spindles are also highest in Tamil Nadu and Maharashtra i.e., 7604 and 5164 thousands installed spindles respectively.

Thus, to sum up, it can be highlighted that during the last decade the textile sector has got a favourable environment for its growth and development. The Government, financial institutions and other coordinating agencies are paying their due attention for its growth because, the textile industry has become a vital sector of the economy.

It has been observed that the textile industry in U.P. and particularly in Kanpur has been witnessed severe industrial sickness as compared to its counterpart in other states of the country. The study has revealed that the consumption of raw material and sale has increased in Atherton mills but the company is incurring losses. The continuous loss is the main reason of the financial constraints of the company. As regards the performance of Victoria mills is concerned, the consumption of raw materials has increased by 56.38 per cent during 1984-85. This company is also earning a continuous losses and this loss has increased to the tune of Rs. 500.51 lakhs in 1985-86. Hence this mill is also subject to rehabilitate.

The consumption of raw materials of Swadeshi mill has increased by 96.5 per cent in 1985-86. But this company also incurred a loss of Rs. 1667.63 lakhs in 1985-86. Therefore, due to huge losses the company has become sick and needs to be rahabilated. The Elgin mills has 48,484 spindles out of which 47,092 spindles are working. 1,194 plain looms have been installed in the company. The average total of wages bill including fringe benefit come to Rs. 64.43 lakhs. The average daily production of yarn is 16,709 kg and the average daily production of cloth is 80,000 metres.

The Elgin mill No.2 is a composite textile processing and works in three shifts. The labour employment per thousand spindles is 9.27 per looms is 46.65 and the total wage per bill including fringe benefits comes to Rs. 61.11 lakhs. The average daily production of yarns is 17.844 kg and average daily production of cloth is 83,700 metres. The survey of the mill have revealed that there is no material change in the consumption of raw material except in 1983-84 and the income from the sale do not show any increasing trend. These mills have been continuously running in losses since 1980-81 and the loss is increasing year after year. Therefore, it is desirable to note that Elgin mill is a sick unit which needs to rehabilitated.

To conduct the survey of such textile mills

six units were selected at non-random basis. The survey revealed that out of these mills, the production of two mills i.e. Swadeshi mills and Elgin mills showing an increasing trend. The total production of cloth of the New Victoria mills has come down from 281.18 lakhs metres in 1985-86 to 86.10 lakh meters in 1990 indicating a decline of 69.37 per cent. Similarly, the production of Elgin mills has decreased from 418.97 lakhs metres in 1985 to 416.33 lakhs metres in 1989-90 representing a decrease of 0.63 per cent. It is interesting to refer that the production of Swadeshi cotton mills went up from 261.58 lakhs metres to 873.43 lakhs metres in 1989-90 showing an increase of 70.05 per cent. Thus it can be said that out of these N.T.C. mills three spinning mills are sick due to continuous fall in the level of product and the other composite mills can be said viable.

In order to assess the financial performance of sick cotton textile mills of N.T.C. solvency ratios, liquidity ratios and turn over ratios were calculated and the results of this ratios are as follows.

The main objectives of solvency ratio is to indicate the company's ability to meet its long term obligation. To judge the solvency of the mills four ratios were calculated which shows that total tangible assets to long term debts, total tangible assets to

total debts, net worth to total debts and net worth to long term debts are continuously decreasing during the year 1986-87, 1987-88 and 1988-89 and are also less than the standard norm 1:1. It leads to a conclusion that these mills are not in solvent position.

The general objective of liquidity ratio is to indicate the company's ability to meet its short term financial obligation. To assess the liquidity of sick cotton textile mills of N.T.C, five ratios were calculated which indicates that current assets to current liabilities, current assets to total tangible assets, quick assets to total tangible assets, cash to current liabilities and quick assets to current liabilities are continuously decreasing durin the period 1986-87, 1987-88, 1988-89 are less than the standard norm 2:1. This leads to a conclusion that liquidity of cotton textile mills of N.T.C is very poor which displays sickness of the mills.

Turn over ratio usually consists of sales figures in numerator and the balance of assets are used to indicate various aspects of operational efficiency. Six turn over ratios were calculated for N.T.C. mills, sales to working capital shows sales is higher than the working capital. In case of net sales to quick assets, the net sales has higher rates than the quick assets except in the year 1987-88. Net sales to current assets is very satisfactory. In regards to net sales

to total tangible assets, the degree of efficiency in the utilisation of resources is not higher. Net sales to fixed assets, ratio shows that in 1986-87 and 1987-88 the N.T.C's mills had more idle capacity and excess investment in fixed trading assets.

The sixth chapter identify the main causes of industrial sickness in cotton textile mills of U.P. with the help of weighted score. Factors generally responsible for sickness, broadly divided into internal and external. Internal factors again divided into five different heads viz. managerial, financial, marketing, productivity and personnel to know the exact factors causing sickness in cotton textile mills of U.P.

In order to analyse the managerial factors influencing sickness, a ranking table has been prepared by taking upto eight rank of different managerial factors. In that it revealed from the data that among the ranking factors no proper manpower development program has been considered as the first cause of sickness by 19.84 per cent of the mills lack of management expertise and supervision has been ranking secondly by 15.87 per cent of the mills. Timely and adequate modernisation has the third rank with a rating 12.3 per cent as a factors influencing sickness in cotton textile mills of uttar pradesh.

Therefore management of mills should make an

arrangement to send their employees for training and should recruit experienced professional besides they should have a research and development cell for finding out the possibility of modernisation of the mills.

To assess the productivity factors causing Sickness in Cotton Textile Mills of U.P. We have analysed the priority ranking of sample units. Priority ranking with weighted score shows, that three most important factors such as poor maintanance and replacement of machinery, poor quality of products and power shortage have score 47 points, 33 points and 23 points respectively. We can conclude from the above that poor maintance of machinery , poor quality of product and power shortage has been the main cause of sickness in Cotton Textile Mills of Uttar Pradesh.

Keeping in view the above noted finding into consideration it can be suggested that management of these seven Cotton Textile Mills should give due attention to maintenance of machinery and quality of product. Similarly the Government should care forward to solve the problem of poor shortage.

In order to get weighted score or 'content score' for each personnel factors we have assigned weight to each rank and got the weighted score for factors. Since we have taken upto 6th rank we have assigned 6 points to first rank, 5 points to second

rank, 4 points to third rank, 3 point to fourth rank, 2 points to fifth rank and points to sixth rank.

From the calculated weighted sum of the ranking. It can be concluded that absence of manpower planning has been the first cause of sickness, bad labour relation as the second cause and weak organisational set-up has been the third cause of sickness in textile mills of Uttar Pradesh.

Keeping in view the above finding into consideration it can be suggested that the management of textile mills should give due attention to proper manpower planning and should maintain good industrial ralation.

In order to analyse the financial factors causing sickness, we have prepared ranking table by taking upto 10 ranks of different financial factors.

It is revealed from the data presented in the table that lack of finance and working capital has been considered as the first cause of sickness by 5 units out of 7 units and secured 50 points. The second most important factor (second Rank) was continuous loss and poor cash management which has been the cause of the sickness in cotton textile mills of Uttar Pradesh. Too much dependence on borrowed money has been the third cause of sickness and secured 35 points according to

the weighted score. Inappropriate financial structure and too much bad debts have got fourth and fifth rank among the causes of sickness. Thus it can be said that lack of finance and working capital, continuous losses/ poor cash management and too much dependence on borrowed money have been the main causes of sickness.

Therefore, the management of mills should find some solution to the problem. Sick units need time to generate surplus and build up themselves when remedial measures are applied. They would, therefore, need concessions in interest, margin money and time for the repayment of debts.

The Government may come up with the proposals, if necessary through legislation to protect the interest of small industry.

Marketing factors are one of the main factors causing sickness in industries. We have therefore attempted to assess the influence of marketing factors on cotton textile mills of U.P. A limited sample of sick cotton textile mills has been drawn from Uttar Pradesh. According to the calculated weighted score lack of sales promotion has been the first cause of sickness (Ist rank) followed by selection of inadequate product mix (IInd rank) inaccurate demand forcasting (IIIrd rank) and lack of market feed back (IVth rank).

Thus, it can be said that lack of sales promotion, selection of inadequate product mix, inaccurate demand forcasting and lack of market feed back are the main causes of sickness in cotton textile mills of Uttar Pradesh. Therefore, the management of these mills should give due importance to sale promotion programmes and product mix. They must also make necessary arangement to forecast the demand and other market information.

The external factors causing sickness in cotton textile mills of U.P. has been observed through weighted score that diversification/expansion imposed by the Government has emerged as the first cause of sickness by scoring 69 points. The second highest point was secured by market recession (50 points). The third and fourth position according to weighted score went to non availability of skilled manpower (49 points) and change in economic and social policies of the Government (46 points). It is therefore, revealed that restraint on diversification/expansion imposed by the government, market recession, non availability of skilled manpower and change in economic and social policies of the Government secured 214 points having emerged as the most important factors causing sickness in the cotton textile mills of Uttar Pradesh.

It seems from the above discussion that the

phenomenon of sickness among industries is a complex one and a number of factors ranging from disparrities between costs and prices to mis-management and some Government policies are involved. There cannot be one single solution for revival of sickness. Problems have to be identify industrywise and unitwise and remedial measures initiated. The units which have been mis-managed will have to change hands, and a proper scheme of reconstruction would have to be devised. In deserving cases, mergers and amalgamation should be allowed rather than take-over of the management by Government. Wherever Government policy is responsible for making an industry sick, it would be advisable to modify the policy taking into account the broader objecttives of growth. In some case a unit may not be viable inspite of any assistance that can be given for temporary sustenace. Such units should be allowed to close down. Of course, this will create the problem of displacement of labour, but this will have to be sorted out rather than creating further difficulties by merely keeping the units alive.

In the revival of sick units banks and financial institutions have a great role to play. They have to strengthen their monitoring system and initiate early steps before the units reach a stage that they cannot be revived. In fact, the banks and financial institutions have not been properly able to

organise their monitoring system and they do not have up-to-date information about the assisted units.

What is required is closer cooperation through mutual assistance between management, Government, banks and financial institutions to restore the health of weak and sick units.

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Appendix

PART 'A'

Q1. Name of the unit :

Q2. Type of ownership :

(1). Cooperative Society

(2) Partnership

(3) Joint stock company

Q3. Production performance :

Quantity of Production 1985 1986 1987 1988 1989 1990

Item wise production	In metre/ quantity						In value(Rs					
	1985	86	87	88	88	89	90	1985	86	87	88	89	90
1.													
2.													
3.													
4.													
5.													

Sales Performance	Quantity	value (Rs)
1985		
1986		
1987		
1888		
1989		
1990		

Q4. Utilisation of Installed Capacity.

0 - 20%
21 - 50%
51 - 75%
76 - 100%

Q5. Number of Employees. Numbers.

1. Supervisor
2. Skilled
3. Unskilled
4. Office staff

5. Officers

Q6. Salary and Wages paid

1. Salary
2. Wages
3. Leave wih Wages
4.

Q7. Are Salaries and Wages paid to the workers?

1. In time
2. Little late
3. As & when fund available

Q8. Financial Performance

	1985	86	87	88-89	89-90	90
Amount of Investment						
Working Capital						
Owned Capital						
Borrowed Capital						

Q11. Is there Continuous losses for the past;

One Year Two Years Three Years

Q12. Is your unit able to yield a remarkable return say 15% on Capital.

Q13. Is your units need external funds?

a. Some times.
b. Frequently.
c. Not at all.

Q14. Whether your unit incured losses?

a. during previous year
b. during current year

PART 'B'

Causes of Industrial Sickness

Internal Causes :

Managerial factors ;

Q1. Which of the following managerial factors have been the cause of Industrial Sickness. Please rank any fifteen according to priority.

1. No proper manpower development progamme.
2. Is it due to lack of managemnet expertise and Supervision.
3. Frequent sickness of owner/manager.
4. Inability to maintain proper accounts.
5. Improper projet planning.
6. Inefficient working Capital management.
7. Lack of coordination in various functional areas.
8. Improper wage and salary administration.
9. Lack of professionalisation.
10. Incompetent and dishonest management.
11. Absence of Control.
12. Lack of timely & adequate modernisation.
13. Poorly concieved Scheme.
14. Over ambitious programe.
15. Inappropriate Collaboration.
16. Over Centralisation.
17. Heavy expenditure on research and development.
18. Improper corporate planning.
19. lack of integerity.

Financial factors;

QII. Which of the following financial factors have influenced your unit badly. Please rank any ten in order.

1. Lack of finance asnd working Capital.
2. Too much dependence on borrowed money.
3. Too many bad debts.
4. Inappropriate financial structure.
5. Absence of financial planning & Budgeting.
6. Absence of costing and pricing.
7. Diversion of funds.
8. Low capital base and/or inadequate/or inappropriate financial arrangements.
9. Continuous Loss and/or poor cash management.
10. Over run in the cost of Installation.
11. Inexpedient distribution of profit.

12. Unrealistic pricing policy.
13. Unsound financial planning.
14. Faulty costing.
15. Liberal dividend policy.
16. Insufficient funds.
17. Over trading.
18. Adverse debt equity ratio.
19. Sympathy of funds.
20. Unplanned payment to creditors.
21. Poor Utilisation of assets.

Productivity factors;

QIII. Which of the following factors affected the productivity of your unit. Please rank any ten factors according to priority.

1. Wrong selection of sight for industrial Unit.
2. Poor quality of raw materials.
3. Lack of raw material due to high cost.
4. Poor maintenance and replacement of machinery.
5. Power shortage.
6. Delayed suppies from Sub Contractors.
7. Lack of product diversifcation.
8. Improper planning for the life of the product.
9. Lack of quality control.
10. Poor industrial relation.
11. Lack of order due to competition.
12. Poor quality of product.
13. Irregular deliveries.
14. Lack of raw material due to high cost.
15. Sudden increase in cost of production.
16. Heavy borrowing - higher interest charges.
17. Unplanned Capital expenditure.
18. Unplanned payment to creditors.
19. Absence of manpower planning and overstaffing.
20. Increased cost not recovered in selling price due to faulty costing.

Marketing Factors

QIV. Is your Unit fails due to the following marketing factors. If Yes, rank any ten according to priority.

1. Inaccurate demand forecasting.
2. Selection of inadequate product mix.
3. Lack of sales promotion.
4. Lack of sufficient advertisement.
5. Lack of market feed back.
6. Poor marketing effort.

7. Lack of sales promotion.
8. Absence of product planning.
9. Dependence on few buyers.
10. Lack of market research.
11. Pricing of product.
12. Lack of knowledge of marketing technique.
13. Weak market Organisation.
14. Poor sales realisation.

Personnel Facors;

QV. Is your unit became sick due to following personnel problem. If yes kindly rank them in order to performance.

1. Bad Labour relations.
2. Inappropriate wage and salary administration.
3. Absence of manpower planning.
4. Continuous Labour strike or Lock out resulting.
5. Stoppage of work and low productivity.
6. Internal quarrel.
7. Weak Organisational set up.
8. Labour Absentism/Labour turnover.
9. Inefficient handling of Labour problems.
10. Low Labour productivity.
11. Lack of trained/skilled Labour.

PART 'C'

EXTERNAL CAUSES

Which of the following External factors effected badly your unit. Rank any twenty according to priority.

1. Government policy regarding prices & distribution.
2. Resraint on diversification/expansion imposed by the Government.
3. Liberalised licensing policy for a single product resulting in excessive supply and unhealthy competition.
4. Taxation policy of the Government.
5. Import restraints on essential inputs.
6. Change in International marketing Scene.
7. Change in Government's purchasing policy.
8. Change in economic and Social policies of the Government.
9. Change in fiscal imposition.
10. Devaluation.
11. Failure of state institution vis-a-vis export orders on deffered payment Basis.
12. Various unwelcome compulsions including pricing policy etc.
13. Credit Squeeze, high Interest rates.
14. Sharp fluctuation in exchange rates.
15. Credit restraints.
16. Delay in disbursement of Loans.
17. Unfavourable investment climate.
18. Shortage of inputs.
19. Delay in release of promised funds by the Financial Institution.
20. Adverse and uncertain market conditions due to change in Government policies, emergence in subsidies, changing consumer's preference.
21. Lack of availability of credit at an appropriate time.
22. Market recession.
23. Non availability of skilled manpower.
24. Inter union rivalry.
25. Decline in the market demands for the goods.
26. Storage of/or interruptions in power supply.
27. Inability to reduce unit cost in a competitive market.
28. Receiving transport bottleneck.
29. Unrealistic price control.
30. Dependence on few buyers.
31. Changes in International market conditions.
32. Non-availability of skilled labour.

33. Higher turnover of labour and staff.
34. Low productivity of Labour.
35. General Labour unrest.
36. Wage disparities in similar industry.
37. Sudden strikes/Lock outs.
38. Litigations.
39. Natural calamities.

SCHEDULE 5

Fixed Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION.	NET BLOCK	
	As per Last Balance Sheet	Addition	Adjustment	As at 31.3.89	As at 31.3.89	As at 31.3.89	As at 31.3 88 (Rs. in Lacs)
1. Land	281.00	—	—	281.00	1.99	279.01	279.14
2. BUILDING :							
i) Factory	300.92	—	—	300.92	47.64	253.28	262.30
ii) Non Factory	51.53	—	—	51.53	4.45	47.08	47.97
3. Tubowells	6.33	—	—	6.33	1.16	5.17	5.50
4. Railway Siding	0.03	—	—	0.03	0.01	0.02	0.02
5. Plant & Machinery	1894.59	24.84	(—) 0.09	1919.34	1215.92	703.42	777.13
6. Electrical Fitting	76.57	0.39	—	76.96	24.06	52.90	54.94
7. Office Equipment	17.52	0.33	—	17.85	6.27	11.58	12.15
8. Furniture & Fittings	24.81	0.70	—	25.51	6.46	19.05	19.24
9. Vehicles	8.12	—	—	8.12	4.83	3.29	3.86
10. Computer	0.59	—	—	0.59	0.09	0.50	0.46
Total	2662.01	26.26	0.09	2688.18	1312 88	1375.30	1462.71
Previous Year Total	2644.68	15.33	2.00	2662 01	1199 30	1462.71	1656.28

NOTE : 1. Mutation on ownership incorporating the Company's name in respect of various assets is under progress in case of all the mills including four Swadeshi Mills nationalised w. e. f. 1.4. 1985.

2. Land includes lease hold land of Rs. 4.00 lacs & Rs. 0.53 lacs in case of S. V. C. M., Lucknow and B. C. M., Hathras respectively. In case of other units no details of Freehold & Leasehold land is available in respect of land taken over at the time of Nationalisation and for the same reason in such cases no part of lease premium paid if any has been written off.

SCHEDULE 5 A

Depreciation

(Rs. in Lacs)

PARTICULARS	As on 1.4.88	For the year	Sales/ Adjustment	Upto 31.3.1989
1. Land	1.86	0.13	—	1.99
2. BUILDING :				
i) Factory	38.62	9.43	(—) 0.41	47.64
ii) Non Factory	3.56	0.86	(+) 0.03	4.45
3. Tubewells	0.83	0.28	(+) 0.05	1.16
4. Railway Siding	0.01	—	—	0.01
5. Plant & Machinery	1117.46	142.06	(—) 43.60	1215.92
6. Electrical Fitting	21.63	3.58	(—) 1.15	24.06
7. Office & Factory Equipments	5.37	0.90	—	6.27
8. Furniture & Fittings	5.57	0.86	(+) 0.03	6.46
9. Vehicles	4.26	0.56	(+) 0.01	4.83
10. Computer	0.13	0.03	(—) 0.07	0.09
Total	11,99.30	158.69	(—) 45.11	1312.88
Previous Year Total	988.40	205.26	5.64	1199.30

SCHEDULE 6

Investment

PARTICULARS	No. of Share	Paid up	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
INVESTMENT (AT COST)				
A. Trade (Quoted)				
Swadeshi Polytex Ltd.	10,00,000	10	100.00	100.00
British India Corpn. Ltd.	1,633	5		
Kohinoor Mills Co. Ltd.	1	100		
Century Spg. & Mfg. Co. Ltd.	4	100		
Indore Malwa United Mills	1	100		
Standard Mills Co. Ltd.	2	100		
Mettur Beardsell Ltd.	7	100		
Dhanlaxmi Mills Ltd.	12	100		
Sri Krishna Rajendra Mills	6	50		
Binny Ltd.	47	100	0.10	0.10
B. Non Trade				
1. Govt. Securities				
3% Conversion Loan 1946/86			—	—
12 years National Saving Certificate			—	—
12 years National Defence Certificate			—	—
2. Share in Joint Stock Companies			0.005	0.005
Quoted :				
Mafatlal Engg. Industries Ltd.	100	100	0.10	0.10
Elgin Mills Co. Ltd.	50	10	0.003	0.003
Cawnpore Textile Mills	25	10	0.002	0.002
Unquoted :				
Swadeshi Minning & Mfg. Ltd.	17,18,344	10	165.80	165.80
C. P. Properties Ltd.	6,900	100	6.98	6.98
Dalhousie Holding Ltd.	3,650	100	3.81	3.81
Investment Cooperative Society	30		0.02	0.02
		TOTAL	276.82	276.82

	Cost	Market Value	Cost	Market Value
	(Rs. in lacs)			
Aggregate value of quoted Investments	100.00	340.10	100.20	315.09
Aggregate value of unquoted Investments	176.64	—	176.64	—

SCHEDULE 6

(Contd.)

PARTICULARS	Current Year	Previous Year
	(Rs. in Lacs)	

Notes :

Incase Investments of four Swadeshi Mills :

1. The Shares of M/s Kohinoor Mills Co. Ltd. for Rs. 317.00 and the share of M/s Indore Malwa United Mills Ltd. for Rs. 113.00 since the entire undertaking of these companies have been Nationalised, have been valued at Rs. 1.00 each.
2. The Central Govt. has taken over the undertaking of the British India Corporation Ltd., under the Acquisition and Transfer of undertaking Act and fixed the compensation of Rs. 0.25 P. per share Since the shares have not been surrendered till now to the Company concerned, only Rs. 408.25 P. is realisable value.
3. In persuance to the judgement of the Supreme Court on 12-2-88 M/s. Swadeshi Mining & Mfg. Co. Ltd. with whom 17,18,344 shares value Rs. 165.80 stands invested, has become the subsidiary of this Corporation.

SCHEDULE 7

Inventories

Current Assets :

Inventories (As taken, valued and certified by the Management)			
a) Stores & Spares (Incl. Stores-in-Transit 0.93 lacs)		369.07	311.14
Less : Provision for obsolete stores		58 23	51.91
		310.84	259.23
b) Tools		0.16	0 09
c) Raw Material		291.20	244.68
Raw Material in Transit		13.89	27.52
d) Finished Stock		1,172 58	1,331.11
Finished Stock in Transit		28 84	45.79
e) Work in Process		724.52	597.69
f) Waste		19.40	16.84
	Total	2,561.43	2,522.95

SCHEDULE 8

Sundry Debtors

PARTICULARS			Current Year	Previous year
			(Rs. in Lacs)	
Sundry Debtors :				
a) Debts outstanding for a period exceeding six months :				
Secured			4.84	7.25
Unsecured Considered Good			181.56	174.16
Unsecured Considered Doubtful		205.13		228.20
Less : Provision for Doubtful		205.13	—	228.20
				—
b) Other Debts :				
Secured			1.99	0.49
Unsecured Considered Good			218.42	294.86
Unsecured Considered Doubtful		28.54		15.18
Less : Provision for Doubtful		28.54	—	15.18
	TOTAL		406.81	476.76

SCHEDULE 9

Cash & Bank Balances

Cash & Bank Balances :			
Cash in Hand			
(Including Cheques & Stamps)		32.55	14.12
Remittance in transit		12.85	15.95
Bank Balance with :			
a) Schedule Banks :			
In Current Account		114.00	90.78
In Saving Bank Account		0.33	0.31
In Fixed Deposits		517.98	109.56
In Margin Money Deposit		3.22	3.22
b) Post Offices		0.10	0.21
	TOTAL	681.03	234.15

SCHEDULE 10

Loans & Advances

PARTICULARS		Current Year (Rs. in Lacs)	Previous Year
Loans & Advances :			
(Unsecured considered good unless otherwise stated)			
a) Advance recoverable in cash or kind or for value to be received		30.70	46.67
Secured		1,001.66	660.88
Considered Doubtful	94.02		91.54
Less : Provision for Doubtful	94.02	—	91.54
		1,032.36	707.55
b) Balance with Customs, Port & Govt. Bodies			
Balance with Excise Authorities		8.94	8.82
Deposit with Govt. Bodies			
Considered Good		48.46	43.72
Considered Doubtful	2.78		2.78
Less : Provision for Doubtful	2.78	—	2.78
Intt. accrued on Fixed Deposit		2.71	2.35
		60.11	54.89
c) Others			
From Claim Commissioner		1,665.40	1,665.32
From Provident Fund Commissioner		—	—
From Banks		2.90	2.90
From Others		0.16	0.74
		1,668.46	1,668.96
Less : Provision for Doubtful			
Claim Commissioner	24.22		
Others	2.92	27.14	17.68
		1,641.32	1,651.28
Prepaid Expenses		9.36	10.36
Tax deducted at source		11.20	0.07
Sundry Deposit		4.06	4.50
Advance recoverable from other Subsidiary Corporation of Holding Company		308.51	216.35
		333.13	231.28
	Grand Total	3,066.92	2,645.00

SCHEDULE 11

Current Liabilities

PARTICULARS		Current Year (Rs. in Lacs)	Previous Year
Current Liabilities :			
Acceptances			
Sundry Creditors			
For Supplies		588.25	574.65
For Expenses		652.51	680.96
For Others		475.24	452.01
Due to other subsidiary Corporation of Holding Company		568.52	654.85
Security Deposit		56.30	48.98
Trade Deposits (Incl. Advance against Sales)		144.80	72.93
Interest Accrued but not due on Loans		9.19	11.13
	TOTAL	2,494.81	2,495.51

SCHEDULE 12

Provisions

Provisions :			
i) Gratuity			
As per Last Balaece Sheet		989.50	746.23
Add : Provision made during the year		108.39	246.00
		1,097.89	992.23
Less : Paid during the year on pro-rata basis		0.77	2.73
		1,097.11	989.50
ii) Others		—	—
	TOTAL	1,097.12	989.50

SCHEDULE 13

Sales

PARTICULARS		Current Year	Previous Year
		(Rs. in Lacs)	
Cloth		3412.41	2874.51
Less : Excise		125.28	90.56
		3287.13	2783.95
Yarn		4028.04	2101.98
Less : Excise		92.85	54.27
		3935.19	2047.71
Waste		79.71	37.29
Others		18.09	8.32
	TOTAL	7320.12	4877.27

SCHEDULE 14

Other Income

Export Incentive	—	1.91
Processing Charges	2.35	—
Interest :		
i) On Govt. Securities	—	—
ii) On Others	22.48	9.61
Dividend	35.00	—
Rent & Compensation	5.28	4.80
Profit on Sale of Assets	7.93	0.62
Insurance & Other Claims	4.82	13.41
Sales of Scrap & Unserviceable Stores	15.66	17.50
Miscellaneous Receipt	21.82	58.78
Sundry Balance Written back	0.01	0.01
TOTAL	115.35	106.64

BALANCE SHEET

As at 31st March, 1988

PARTICULARS	Schedule	Current year	Previous year
		(Rs. in Lakhs)	
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	3,389.35	3,249.35
Advance against Equity		102.00	17.00
Reserve & Surplus	2	396.24	396.24
Loans Funds			
Secured Loans	3	1,305.61	1,155.39
Unsecured Loans	4	12,976.25	10,831.72
	Total	18,169.45	15,649.70
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	2,662.01	2,644.68
Less : Depreciation		1,199.30	988.40
Net Block		1,462.71	1,656.28
Capital work-in-progress		114.09	116.67
		1,576.80	1,772.95
Investments	6	276.82	276.82
Current Assets, Loans and Advances			
Inventories	7	2,522.95	2,300.87
Sundry Debtors	8	476.76	485.58
Cash & Bank Balances	9	234.15	195.44
Loans & Advances	10	2,645.00	2,715.37
		5,878 86	5,697.26
LESS :			
Current Liabilities & Provisions			
Current Liabilities	11	2,495.51	2,315.46
Provisions	12	989.50	746.23
		3,485 01	3,061.69
Net Current Assets		2,393.85	2,635.57
Pre-Incorporation Loss		—	129.08
Profit & Loss Account		13,921.98	10,835.28
	Total	18,169.45	15,649.70

Statement of Accounting Policies. 21
Notes Forming part of the Accounts 22

RAVI PRAKASH
Joint Manager (F & A)

K. S. SATHYANARAYANA
Director (Finance)

S. N. AGARWAL
Secretary

M. M. S. RANA
Chairman-cum-Managing Director

As per our report of even date attached hereto

FOR **NRIPENDRA & COMPANY**
Chartered Accountants

REKHA MISHRA
Partner

Kanpur :
Dated : October 14, 1988

PROFIT & LOSS ACCOUNT

For the year ended on 31st March, 1988

PARTICULARS	Schedule		Current year	Previous year
			(Rs. in Lakhs)	
EARNINGS				
Sales	13		4,877.27	6,242.08
Other Income	14		106,64	70.94
Increase/(Decrease) in Stock	15		252.71	(14.87)
			5,236.62	6,298.15
OUT GOINGS				
Consumption of Raw Materials	16		2,455.47	2,748.82
Purchase of finished Goods			289 00	247.42
Employees Remuneration and Benefits	17		3,297.74	3,508.74
Manufacturing, Administrative Selling & Distrib. Expenses	18		1,504.95	1,902.25
Finance Charges	19		271.29	262.99
PROVISIONS FOR				
Bad & Doubtful Debts			40.32	7.82
Advances			2.47	18.11
Obsolete Stores			11.74	1.54
Others			1.16	0.08
Shortage Written off			0.70	0.63
Depreciation			205.26	158.13
		Total	8,080.10	8,856.53
Profit/(Loss) for the year			(2,843.48)	(2,558.38)
Net Prior period Expenses / (Income)	20		248.25	(102.38)
			(3,091.73)	(2,456.00)
Provision Written Back			5.03	1.30
Net Profit (Loss) for the year			(3,086.70)	(2,454.70)
Balance of Profit/(Loss) brought forward from the last year			(10,835.28)	(8,380.58)
Balance Profit (Loss) Carried forward to Blance Sheet			(13,921.98)	(10,835.28)

RAVI PRAKASH
Joint Manager (F & A)

S. N. AGARWAL
Secretary

K. S. SATHYANARAYANA
Director (Finance)

M. M. S. RANA
Chairman-cum-Managing Director

As per our report of even date attached hereto
FOR **NRIPENDRA & COMPANY**
Chartered Accountants
REKHA MISHRA
Partner

Kanpur :
Dated : October 14, 1988

SCHEDULE 1

Share Capital

PARTICULARS		Current year (Rs. in Lakhs)	Previous year (Rs. in Lakhs)
AUTHORISED			
Equity shares of 4,00,000 (previous year 4,00,000) of Rs 1,000/- each.		4,000.00	4,000.00
		3,389.35	3 249.35
Issued Subscribed and paid up :			
3,38,935 (previous year 3,24,935) Equity Shares of Rs.1000/- each fully paid up.			
The above includes : 338835 (previous year 324835) Equity Shares of Rs. 1000/- each alloted as fully paid up without payment being received in cash			
The above have been subscribed by :			
a. NTC Ltd., 322007 (Previous year 308007)			
b U.P. Govt. 16,928 (Previous year 16,928)			
	Total	3,389.35	3,249.35

SCHEDULE 2

Reserve & Surplus

1. CAPITAL RESERVE :			
As per last Balance Sheet		354.27	58.17
Add . Adjustment during the year		—	296.10
		354.27	354.27
2. CAPITAL SUBSIDY			
As per last Balance Sheet		41 97	39.50
Add : Additions during the year		—	2.47
		41.97	41.97
	Total	396.24	396.24

SCHEDULE 3

Secured Loans

PARTICULARS		Current year (Rs. in Lakhs)	Previous year (Rs. in Lakhs)
1. From Banks			
Secured by Hypothication / pledge of finished goods, raw material, loose stock, stores and work in process.		640.26	463.12
2. From Financial Institutions :			
Secured by first charge on Building and Plant & Machinery and on guarantee of NTC Ltd., New Delhi for purchase of machinery under Soft loan Scheme			
i) I. F. C. I.		212.49	222 49
ii) I. D. B I.		406.00	431.00
3 Interest accrued due on above loans		46.86	38 78
	Total	1,305 61	1 155 39

SCHEDULE 4

Unsecured Loans

1 **Short Term Loans**			
From Banks		16.17	4 21
From National Textile Corporation LTD.			
Working Capital		12,198.89	9,963.40
Modernisation		298.14	298.14
Labour Rationalisation		276.20	416 20
		12,773 23	10,677 74
For Managed Mills		5,745.73	4,745.73
Less : Released to Managed Mills		5,745.73	4,745.73
		—	—
From U. P. State Textile Corpn Ltd.		4.97	4.97
2. Interest Accrued and due on above Loans			
For N. T. C Ltd.		4,526.48	3,577 21
Less : For Managed Mills		4,406 46	3,486.20
		120.02	91 01
For U. P. S. T. C. Ltd.		61.86	53 79
	Total	12,976.25	10,831.72

SCHEDULE 5

Fixed Assets

PARTICULARS	GROSS BLOCK				DEPN.	NET BLOCK	
	As per last Balance Sheet	Addition	Adjustment	As at 31-3-88	Dep. As at 31-3-88	As at 31-3-88	As at 31-3-87
							(Rs. in lacs)
1. Land	279,20	1.80	—	281.00	1.86	279.14	277.47
2. BUILDING :							
i. Factory	300.92	—	—	300.92	38.62	262.30	272.15
ii. Non Factory	51.53	—	—	51.53	3.56	47.97	48.81
3. Tubewells	6.31	0.02	—	6.33	0 83	5.50	5.72
4. Railway Siding	0.03	—	—	0.03	0.01	0 02	0.02
5. Plant & Machinery	1884.53	11.58	(—) 1.52	1894.59	1117.46	777.13	959.31
6. Electrical Fitting	76.08	0.95	—	77.03	21.69	55.34	59.06
7. Office Equipment	14.31	(—) 0.31	(+) 3.52	17.52	5.37	12.15	10.34
8. Furniture & Fittings	23.67	0.68	—	24.35	5.51	18 84	18.99
9. Vehicles	8.10	0.02	—	8.12	4.26	3.86	4.41
10. Computer	—	0.59	—	0.59	0.13	0.46	—
Total	2644.68	15.33	2·00	2662.01	1199.30	1462.71	1656 28
Previous year Total	2594.56	74.65	24.53	2644 68	988.40	1656.28	1341 29

NOTE: 1) Mutation of ownership incorporation the Company's name in respect of various assets is under progress in case of all the mills including four Swadeshi Mills nationalised w. e. f. 1-4-1985.

2) Land includes lease hold land of Rs. 4.00 lacs & Rs. 0. 53 lacs in case of SVCM, Lucknow and BCM, Hathras respectively. In case of other units no details of Freehold and lease hold land are available in respect of land taken over at the time of Nationalisation and for the same reason in such cases no part of lease premium paid if any has been written off.

SCHEDULE 5 A

Depreciation

PARTICULARS	As on 1-4-1987	For the year	Sales/ Adjustment	Upto 31-3-1988 (Rs. in lacs)
1. Land	1.73	0.13	—	1.86
2. BUILDING :				
i. Factory	28.77	9.85	—	38.62
ii. Non Factory	2.72	0.84	—	3.56
3. Tubewells	0.59	0.24	—	0.83
4. Railway Siding	0.01	—	—	0.01
5. Plant & Machinery	925.22	187.18	5.06	1117.46
6. Electrical Fitting	17.02	4.67	—	21.69
7. Office & Factory Equipments	3.97	0.88	0.52	5.37
8. Furniture & Fitting	4.68	0.80	0.03	5.51
9. Vehicles	3.69	0.57	—	4.26
10. Computer	—	0.10	0.03	0.13
Total	988.40	205.26	5.64	1199.30
Previous year Total	837.73	158.13	7.46	988.40

SCHEDULE 6

Investment

PARTICULARS	No. of Share	Paid up	Current year	Previous Year
			(Rs. in lacs)	
INVESTMENT (AT COST)				
A. Trade (Quoted)				
Swadeshi Polytex Ltd.	10,00,000	10	100.00	100.00
British India Corpn. Ltd.	1,633	5		
Kohinoor Mills Co. Ltd.	1	100		
Century Spg. & Mfg. Co. Ltd.	4	100		
Indore Malwa United Mills	1	100		
Standard Mills Co. Ltd.	2	100		
Mettur Beardsell Ltd.	7	100		
Dhanlaxmi Mills Ltd.	12	100		
Sri Krishna Rajendra Mills	6	50		
Binny Ltd.	47	100	0.10	0.10
B. Non Trade				
1. Govt. Securities				
3% Conversion Loan 1946/86			—	—
12 years National Saving Certificate			—	—
12 years National Defence Certificate			—	—
2. Shares in Joint Stock Companies			0.005	0.005
Quoted :				
Mafatlal Engg. Industries Ltd.	100	100	0.10	0.10
Elgin Mills Co. Ltd.	50	10	0.003	0.003
Cawnpore Textile Mills	25	10	0.002	0.002
Unquoted :				
Swadeshi Mining & Mfg. Ltd.	1718344	10	165.80	165.80
C. P. Properties Ltd.	6900	100	6.98	6.98
Dalhousie Holding Ltd.	3650	100	3.81	3.81
Investment Cooperative Society	30		0.02	0.02
		Total	276.82	276.82

	Cost	Market Value	Cost	Market Value
	(Rs. in lacs)			
Aggregate value of quoted Investments	100.20	315.09	100.20	610.20
Aggregate value of unquoted Investments	176.62	—	176.62	—

SCHEDULE 6

(Contd.)

PARTICULARS	Current year	Previous Year
	(Rs. in lacs)	

NOTES :

Incase Investments of four Swadeshi Mills :

1. The Shares of M/s. Kohinoor Mills Co. Ltd. for Rs. 317.00 and the share of M/s. Indore Malwa United Mills Ltd. for Rs. 113.00 since the entire undertaking of these companies have been Nationalised, have been valued at Rs. 1.00 each.

2. The Central Govt. has taken over the undertaking of the British India Corporation Ltd., under the Acquisition and Transfer of undertaking Act and fixed the compensation of Rs. 0.25 P. per share since the share have not been surrendered till now to the Company concerned, only Rs. 408.25 P. is realisable value.

3. In persuance to the judgement of the Supreme Court on 12-2-88 M/s. Swadeshi Mining & Mfg. Co. Ltd. with whom 17,18,344 shares valued Rs. 165.80 stands invested, has become the subsidiary of this Corporation.

SCHEDULE 7

Inventories

Current Assets :

Inventories (As taken, valued and certified by the Management)			
(a) Stores & Spares (Incl. Stores-in-Transit Rs.2.09 lacs)		311.14	361.99
Less : Provision for obsolete stores		51.91	41.80
		259.23	320.19
(b) Tools		0.09	0.10
(c) Raw Materials		244.68	199.77
Raw Material in Transit		27.52	61.58
(d) Finished Stock		1,331.11	1,108.14
Finished Stock in Transit		45.79	16.68
(e) Work in process		597 69	580.85
(f) Waste		16.84	13.56
	Total	2,522.95	2,300.87

SCHEDULE 8

Sundry Debtors

PARTICULARS		Current year	Previous year
		(Rs. in lacs)	
Sundry Debtors :			
(a) Debts outstanding for a period exceeding six months :			
Secured		7.25	28 95
Unsecured Considered Good		174.16	196.08
Unsecured Considered Doubtful	228.20		165 80
Less : Provision for Doubtful	228.20		165.80
		—	—
(b) Other Debts :			
Secured		0.49	28.94
Unsecured Considered Good		294.86	231.61
Unsecured Considered Doubtful	15.18		0.70
Less : Provision for Doubtful	15.18	—	0.70
	Total	476.76	485.58

SCHEDULE 9

Cash & Bank Balances

Cash & Bank Balances :			
Cash in Hand			
(Including Cheques & Stamps)		14.12	14.91
Remittances in transit		15.95	16.35
Bank Balance with :			
a) Schedule Banks :			
In Current Account		90.78	99.76
In Saving Bank Account		0.31	0.29
In Fixed Deposits		109.56	57.23
In Margin Money Deposit		3.22	6.69
b) Post Offices		0.21	0.21
	Total	234.15	195.44

SCHEDULE 10

Loans & Advances

PARTICULARS			Current year	Previous year
			(Rs. in Lacs)	
LOANS & ADVANCES :				
(Unsecured considered good unless otherwise stated)				
a) Advance recoverable in cash or kind or for value to be received			46.67	23.80
Secured			660.88	731.18
Considered Doubtful	91.54			94 36
Less : Provision for Doubtful	91.54		—	94.36
			707.55	754.98
b) Balance with Customs, Port & Govt. Bodies				
Balance with Excise Authorities			8.82	7.06
Deposit with Govt. Bodies				
Considered good			43.72	44.72
Considered doubtful				2.78
Less : Provision for doubtful	2.78		—	2.78
Intt. accrued on fixed deposit	2.78		2.35	2.80
			54.89	54.58
c) Others				
From Claim Commissioner			1,665.32	1,669.39
From Provident Fund Commissioner			—	—
From Banks			2.90	2.90
From Others			0.74	1.55
			1,668.96	1,673 84
Less : Provision for Doubtful				
Claim Commissioner	14.76			
Others	2.92		17.68	21.84
			1,651.28	1,652.00
Prepaid Expenses			10.36	13.25
Tex deducted at sources			0.07	0.04
Sundry Deposit			4.50	8.81
Advance recoverable from other Subsidiary Corporation of Holding Company			216.35	231.71
			231.28	253.81
		Grand Total	2,645.00	2,715.37

SCHEDULE 11

Current Liabilities

PARTICULARS	Current year	Previous Year
	(Rs. in Lacs)	
Current Liabilities :		
Acceptances		
Sundry Creditors		
For Supplies	574.65	771.56
For Expenses	680.96	578.29
For others	452.01	339.18
Due to other subsidiary Corporation of Holding Company	654.85	439.31
Security Deposit	48.98	44.56
Trade Deposits (Incl. Advance against sales)	72.93	129.71
Interest Accrued but not due on Loans	11.13	12 85
Total	2,495.51	2,315.46

SCHEDULE 12

Provisions

Provisions		
i) Gratuity :		
For Prenationalisation period		
As per Last Balance Sheet	746.23	114.21
Add : Provision taken back	246.00	985.29
	992.23	1,099.50
Less : Paid during the year on Pro-rata basis	2.73	353.27
	989.50	746.23
ii) Others	—	—
	989.50	746.23

SCHEDULE 13

Sales

PARTICULARS	Current year	Previous Year
	(Rs. in lacs)	
Cloth		
Less : Excise	2874.51	3297.05
	90.56	111.20
	2783.95	3185.85
Yarn		
Less : Excise	2101.98	3087.19
	54.27	93.95
	2047.71	2993.24
Waste		
Others	37.29	41.29
	8.32	21.70
Total	4877.27	6242.08

SCHEDULE 14

Other Income

Export Incentive	1.91	9.52
Processing Charges	—	13.50
Interest :		
i) On Govt. Securities	—	—
ii) On Others	9.61	6.39
Dividend	—	—
Rent & Compensation	4.80	3.36
Profit on Sale of Assets	0.62	2.88
Insurance & Other Claims	13.41	4.99
Sales of Scrap & Unserviceable Stores	17.50	11.05
Miscellaneous Receipt	58.78	18.62
Sundry Balance Written back	0.01	0.63
Total	106.64	70.94